

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1999

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

SAN DIEGO GAS & ELECTRIC COMPANY

(Exact name of registrant as specified in its charter)

CALIFORNIA 1-3779 95-1184800
(State of incorporation or organization) (Commission File Number) (I.R.S. Employer Identification No.)

8326 CENTURY PARK COURT, SAN DIEGO, CALIFORNIA 92123
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (619)696-2000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Preference Stock (Cumulative) Without Par Value (except \$1.70 and \$1.7625 Series)	American
Cumulative Preferred Stock, \$20 Par Value (except 4.60% Series)	

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 and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Exhibit Index on page 65. Glossary on page 70.

Aggregate market value of the voting preferred stock held by non-affiliates of the registrant as of February 29, 2000 was \$17.9 million.

Registrant's common stock outstanding as of February 29, 2000 was wholly owned by Enova Corporation.

DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the Information Statement prepared for the May 2000 annual meeting of shareholders are incorporated by reference into Part III.

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This report contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimates," "believes," "expects," "anticipates," "plans" "intends," "may" and "should" or similar expressions, or discussions of strategy or of plans are intended to identify forward-looking statements that involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in these forward-looking statements.

These statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others, local, regional, national and international economic, competitive, political and regulatory conditions and developments; technological developments; capital market conditions; inflation rates; interest rates; exchange rates; energy markets, including the timing and extent of changes in commodity prices; weather conditions; business and regulatory or legal decisions; the pace of deregulation of retail natural gas and electricity delivery; and other uncertainties -- all of which are difficult to predict and many of which are beyond the control of the Company. Readers are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which affect the Company's business described in this annual report and other reports filed by the Company from time to time with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

San Diego Gas & Electric Company (SDG&E or the Company) is an operating public utility which provides electric and natural gas service to San Diego County and southern Orange County. SDG&E is the principal subsidiary of Enova Corporation (Enova) Sempra Energy, a California-based Fortune 500 energy services company, was formed as a holding company for Enova Corporation (Enova) and Pacific Enterprises (PE) in connection with a business combination of Enova and PE that was completed on June 26, 1998 (PE/Enova business combination). Southern California Gas Company (SoCalGas), the principal subsidiary of PE, is the nation's largest natural gas distribution utility, serving 5 million meters throughout most of Southern California and part of central California. Together, the two utilities serve approximately 7 million meters. Further discussion of SDG&E and the PE/Enova business combination is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 1 of the notes to Consolidated Financial Statements, herein.

GOVERNMENT REGULATION

Local Regulation

SDG&E has separate electric and gas franchises with the two counties and the 25 cities in its service territory. These franchises allow SDG&E to locate facilities for the transmission and distribution of electricity and/or natural gas in the streets and other public places. The franchises do not have fixed terms, except for the electric and natural gas franchises with the cities of Chula Vista (2003), Encinitas (2012), San Diego (2021) and Coronado (2028); and the natural gas franchises with the city of Escondido (2036) and the

county of San Diego (2030).

State Regulation

The California Public Utilities Commission (CPUC) regulates SDG&E's rates and conditions of service, sales of securities, rate of return, rates of depreciation, uniform systems of accounts, examination of records, and long-term resource procurement. The CPUC also conducts various reviews of utility performance and conducts investigations into various matters, such as deregulation, competition and the environment, to determine its future policies.

The California Energy Commission (CEC) has discretion over electric-demand forecasts for the state and for specific service territories. Based upon these forecasts, the CEC determines the need for additional energy sources and for conservation programs. The CEC sponsors alternative-energy research and development projects, promotes energy conservation programs, and maintains a state-wide plan of action in case of energy shortages. In addition, the CEC certifies power-plant sites and related facilities within California.

Federal Regulation

The Federal Energy Regulatory Commission (FERC) regulates the interstate sale and transportation of natural gas, the transmission and wholesale sales of electricity in interstate commerce, transmission access, the uniform systems of accounts, rates of depreciation and electric rates involving sales for resale.

The Nuclear Regulatory Commission (NRC) oversees the licensing, construction and operation of nuclear facilities. NRC regulations require extensive review of the safety, radiological and environmental aspects of these facilities. Periodically, the NRC requires that newly developed data and techniques be used to re-analyze the design of a nuclear power plant and, as a result, requires plant modifications as a condition of continued operation in some cases.

Licenses and Permits

SDG&E obtains a number of permits, authorizations and licenses in connection with the transmission and distribution of natural gas and electricity. They require periodic renewal, which results in continuing regulation by the granting agency.

Other regulatory matters are described throughout this report.

SOURCES OF REVENUE

Industry segment information is contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 13 of the notes to Consolidated Financial Statements herein.

ELECTRIC OPERATIONS

Resource Planning

In September 1996, California enacted a law restructuring California's electric utility industry. The legislation adopts the December 1995 CPUC policy decision restructuring the industry to stimulate competition and reduce rates. Beginning on March 31, 1998, customers were given the opportunity to choose to continue to purchase their electricity from the local utility under regulated tariffs, to enter into contracts with other energy service providers (direct access) or to buy their power from the independent Power Exchange (PX) that serves as a wholesale power pool allowing all energy producers to participate competitively.

Additional information concerning electric-industry restructuring is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Notes 11 and 12 of the notes to Consolidated Financial Statements herein.

Electric Resources

In connection with California's electric-industry restructuring, beginning March 31, 1998, the California investor-owned utilities (IOUs) are obligated to bid their power supply, including owned generation and purchased-power contracts, into the PX. The IOUs also are obligated to purchase from the PX the power that they sell. An Independent System Operator (ISO) schedules power transactions and access to the transmission system. In 1999, SDG&E completed divestiture of its owned generation other than nuclear. SDG&E continues to have purchased-power contracts, which it bids into the PX. Based on generating plants in service and purchased-power contracts currently in place, at February 29, 2000 the megawatts (mw) of electric power available to SDG&E to bid into the PX are as follows:

Source	Mw
Nuclear generating plants	430*
Long-term contracts with other utilities	175

Contracts with others	493

Total	1,098
	=====

* Net of plants' internal usage

Natural Gas/Oil Generating Plants: In connection with electric-industry restructuring, in December 1998, SDG&E entered into agreements for the sale of its South Bay and Encina power plants and 17 combustion turbines. During the quarter ended June 30, 1999, these sales were completed for total net proceeds of \$466 million. The South Bay Power Plant sale to the San Diego Unified Port District for \$110 million was completed on April 23, 1999. Duke South Bay, a subsidiary of Duke Energy Power Services, will manage the plant for the Port District. The sale of Encina Power Plant and 17 combustion-turbine generators to Dynegy Inc. and NRG Energy Inc. for \$356 million was completed on May 21, 1999. SDG&E will operate and maintain both facilities for the new owners for the next two years.

San Onofre Nuclear Generating Station (SONGS): SDG&E owns 20 percent of the three nuclear units at SONGS (located south of San Clemente, California). The cities of Riverside and Anaheim own a total of 5 percent of Units 2 and 3. Southern California Edison (Edison) owns the remaining interests and operates the units.

Unit 1 was removed from service in November 1992 when the CPUC issued a decision to permanently shut down the unit. At that time SDG&E began the recovery of its remaining capital investment, with full recovery completed in April 1996. The unit's spent nuclear fuel has been removed from the reactor and stored on-site. In March 1993, the NRC issued a Possession-Only License for Unit 1, and the unit was placed in a long-term storage condition in May 1994. In June 1999, the CPUC granted authority to begin decommissioning Unit 1. That work is now in progress.

Units 2 and 3 began commercial operation in August 1983 and April 1984, respectively. SDG&E's share of the capacity is 214 mw of Unit 2 and 216 mw of Unit 3.

During 1999 SDG&E spent \$10 million on capital modifications and additions and expects to spend \$6 million in 2000. SDG&E deposits funds in an external trust to provide for the future dismantling and decontamination of the units.

Additional Information: Additional information concerning the SONGS units, nuclear decommissioning and industry restructuring (including SDG&E's divestiture of its electric generation assets) is provided below and in "Environmental Matters," "Electric Properties," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Notes 5, 11 and 12 of the notes to Consolidated Financial Statements herein.

Purchased Power: The following table lists contracts with the various suppliers:

Supplier	Expiration Date	Megawatt Commitment	Source

Long-Term Contracts with Other Utilities:			
Portland General Electric (PGE)	December 2013	75	Coal
Public Service Company of New Mexico (PNM)	April 2001	100	System supply

Total		175	
		=====	
Others Contracts:			
PacifiCorp	December 2001	100	System Supply
Avista Supply	December 2001	150	System Supply
Applied Energy	December 2019	102	Cogeneration
Yuma Cogeneration	June 2024	50	Cogeneration
Goal Line Limited Partnership	December 2025	50	Cogeneration
Other (89)	Various	41	Cogeneration

Total		493	
		=====	

Under the contracts with PGE and PNM, SDG&E pays a capacity charge plus a charge based on the amount of energy received. Charges under these contracts

are based on the selling utility's costs, including a return on and depreciation of the utility's rate base (or lease payments in cases where the utility does not own the property), fuel expenses, operating and maintenance expenses, transmission expenses, administrative and general expenses, and state and local taxes. Charges under contracts from PacifiCorp and Avista are for firm energy only and are based on the amount of energy received. The prices under these contracts are at the market value at the time the contracts were negotiated. Costs under the remaining contracts (all with Qualifying Facilities) are based on SDG&E's avoided cost.

Additional information concerning SDG&E's purchased-power contracts is described below, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 11 of the notes to Consolidated Financial Statements herein.

Power Pools

SDG&E is a participant in the Western Systems Power Pool (WSPP), which includes an electric-power and transmission-rate agreement with utilities and power agencies located throughout the United States and Canada. More than 200 investor-owned and municipal utilities, state and federal power agencies, energy brokers, and power marketers share power and information in order to increase efficiency and competition in the bulk power market. Participants are able to target and coordinate delivery of cost-effective sources of power from outside their service territories through a centralized exchange of information.

Transmission Arrangements

Pacific Intertie: The Pacific Intertie, consisting of AC and DC transmission lines, connects the Northwest with SDG&E, Pacific Gas & Electric (PG&E), Edison and others under an agreement that expires in July 2007. SDG&E's share of the intertie was 266 mw.

Southwest Powerlink: SDG&E's 500-kilovolt Southwest Powerlink transmission line, which is shared with Arizona Public Service Company and Imperial Irrigation District, extends from Palo Verde, Arizona to San Diego. SDG&E's share of the line is 931 mw, although it can be less, depending on specific system conditions.

Mexico Interconnection: Mexico's Baja California Norte system is connected to SDG&E's system via two 230-kilovolt interconnections with firm capability of 408 mw.

Due to electric-industry restructuring (see "Transmission Access" below), the operating rights of SDG&E on these lines have been transferred to the ISO.

Transmission Access

As a result of the enactment of the National Energy Policy Act of 1992, the FERC has established rules to implement the Act's transmission-access provisions. These rules specify FERC-required procedures for others' requests for transmission service. In October 1997 the FERC approved the transfer of control by the California IOUs of their transmission facilities to the ISO. Beginning on March 31, 1998 the ISO is responsible for the operation and control of the transmission lines. Additional information regarding the ISO and transmission access is provided below and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein.

Fuel and Purchased-Power Costs

The following table shows the percentage of each electric-fuel source used by SDG&E and compares the costs of the fuels with each other and with the total cost of purchased power:

	Percent of Kwhr			Cents per Kwhr		
	1999	1998	1997	1999	1998	1997
Natural gas	6.5%	17.3%	19.8%	3.0	3.0	3.3
Nuclear fuel	12.6	11.5	11.8	0.5	0.6	0.6
Fuel oil			0.1			2.4
Total generation	19.1	28.8	31.7			
Purchased power and ISO/PX	80.9	71.2	68.3	3.7	3.5	2.8
Total	100.0%	100.0%	100.0%			

As described previously, SDG&E sold its South Bay and Encina power plants and 17 combustion turbines during the quarter ended June 30, 1999. Since the primary fuel source of these plants is natural gas, the percentage of Kwhr for natural gas in the above table decreased compared to 1998.

The cost of purchased power includes capacity costs as well as the costs of fuel. The cost of natural gas includes transportation costs. The costs of natural gas, nuclear fuel and fuel oil do not include SDG&E's capacity costs.

While fuel costs are significantly less for nuclear units than for other units, capacity costs are higher.

Electric Fuel Supply

Natural Gas: Information concerning natural gas is provided in "Natural Gas Operations" herein.

Nuclear Fuel: The nuclear-fuel cycle includes services performed by others under contract through 2003, including mining and milling of uranium concentrate, conversion of uranium concentrate to uranium hexafluoride, enrichment services and enriched uranium hexafluoride, and fabrication of fuel assemblies.

Spent fuel is being stored at SONGS, where storage capacity will be adequate at least through 2005. If necessary, modifications in fuel-storage technology can be implemented to provide on-site storage capacity for operation through 2013, the expiration date of the NRC operating license. The plan of the U.S. Department of Energy (DOE) is to provide a permanent storage site for the spent nuclear fuel by 2010.

Pursuant to the Nuclear Waste Policy Act of 1982, SDG&E entered into a contract with the DOE for spent-fuel disposal. Under the agreement, the DOE is responsible for the ultimate disposal of spent fuel. SDG&E is paying a disposal fee of \$0.90 per megawatt-hour of net nuclear generation. Disposal fees average \$3 million per year.

To the extent not currently provided by contract, the availability and the cost of the various components of the nuclear-fuel cycle for SDG&E's nuclear facilities cannot be estimated at this time.

Additional information concerning nuclear-fuel costs is provided in Note 11 of the notes to Consolidated Financial Statements herein.

NATURAL GAS OPERATIONS

SDG&E distributes natural gas to 0.7 million customers in San Diego and southern Orange counties throughout a 4,100-square-mile service territory. The Company purchases natural gas for resale to its customers and, until their sales, also purchased natural gas for fuel in its generating plants.

Supplies of Natural Gas

The Company buys natural gas under several short-term and long-term contracts. Short-term purchases are based on monthly spot-market prices. The Company buys natural gas primarily from various spot-market suppliers. It also has natural gas transportation contracts with pipeline companies, which expire at various dates through 2023.

Most of the natural gas purchased and delivered by the Company is produced outside of California. These supplies are delivered to the SoCalGas pipeline at the California border by interstate pipeline companies, primarily El Paso Natural Gas Company and Transwestern Pipeline Company. These interstate companies provide transportation services for supplies purchased from other sources by the Company or its transportation customers. The rates that interstate pipeline companies may charge for natural gas and transportation services are regulated by the FERC. All natural gas is delivered to SDG&E under a transportation and storage agreement with SoCalGas.

SDG&E has four long-term natural gas supply contracts with four Canadian suppliers. The Company has been in negotiations and litigation with the suppliers concerning the contracts' terms and prices. SDG&E has settled with the four suppliers, terminating three of the contracts and continuing to purchase natural gas from one of the suppliers under terms of the settlement agreement. Additional information regarding natural gas contracts is provided in Note 11 of the notes to Consolidated Financial Statements herein.

The following table shows the sources of natural gas deliveries from 1995 through 1999.

	Year Ended December 31				
	1999	1998	1997	1996	1995
Gas Purchases (billions of cubic feet)	75	118	101	97	90
Customer-Owned and Exchange Receipts	47	19	18	17	17
Storage Withdrawal (Injection) - Net	4	(3)	1	--	2
Company Use and					

Unaccounted For	--	(2)	(1)	(1)	(1)
	-----	-----	-----	-----	-----
Net Deliveries	126	132	119	113	108
	=====	=====	=====	=====	=====
Cost of Gas Purchased*					
(millions of dollars)	\$ 205	\$ 327	\$ 313	\$ 252	\$ 188
	-----	-----	-----	-----	-----
Average Cost of Purchases					
(Dollars per Thousand Cubic Feet)	\$2.73	\$2.77	\$3.10	\$2.59	\$2.08
	=====	=====	=====	=====	=====

* Includes interstate pipeline demand charges

Market-sensitive natural gas supplies (supplies purchased on the spot market as well as under longer-term contracts based on spot prices) accounted for nearly 100 percent of total natural gas volumes purchased by the Company during the last five years. These supplies were generally purchased at prices significantly below those of long-term fixed-price sources of supply.

The Company provided transportation services for the customer-owned natural gas. The Company estimates that sufficient natural gas supplies will be available to meet the requirements of its customers for the next several years.

Customers

For regulatory purposes, customers are separated into core and noncore customers. Core customers are primarily residential and small commercial and industrial customers, without alternative fuel capability. There are 749,000 core customers (721,000 residential and 28,000 small commercial and industrial). Noncore customers consist primarily of utility electric generation (UEG), wholesale, and large commercial and industrial customers, and total 150.

Most core customers purchase natural gas directly from the Company. Core customers are permitted to aggregate their natural gas requirement and, up to a limit of 10 percent of the Company's core market, to purchase natural gas directly from brokers or producers. The Company continues to be obligated to purchase reliable supplies of natural gas to serve the requirements of its core customers.

Noncore customers have the option of purchasing natural gas either from the Company or from other sources, such as brokers or producers, for delivery through the Company's transmission and distribution system. The only natural gas supplies that the Company may offer for sale to noncore customers are the same supplies that it purchases for its core customers. Most noncore customers procure their own natural gas supply.

For 1999, approximately 90 percent of the CPUC-authorized natural gas margin was allocated to the core customers, with 10 percent allocated to the noncore customers.

Although revenue from transportation throughput is less than for natural gas sales, the Company generally earns the same margin whether the Company buys the gas and sells it to the customer or transports natural gas already owned by the customer.

Demand for Natural Gas

Natural gas is a principal energy source for residential, commercial, industrial and UEG customers. Natural gas competes with electricity for residential and commercial cooking, water heating, space heating and clothes drying, and with other fuels for large industrial, commercial and UEG uses. Growth in the natural gas markets is largely dependent upon the health and expansion of the southern California economy. The Company added approximately 27,000 and 12,000 new natural gas customer meters in 1999 and 1998, respectively, representing a growth rate of approximately 3.7 percent and 1.6 percent, respectively. The Company expects its growth for 2000 will be about two percent.

During 1999, 91 percent of residential energy customers in the Company's service area used natural gas for water heating, 73 percent for space heating, 52 percent for cooking and 35 percent for clothes drying.

Demand for natural gas by noncore customers is very sensitive to the price of competing fuels. Although the number of noncore customers in 1999 was only 150, they accounted for approximately 11 percent of the authorized natural gas revenues and 43 percent of total natural gas volumes. External factors such as weather, electric deregulation, the use of hydro-electric power, competing pipeline bypass and general economic conditions can result in significant shifts in this market. The demand for natural gas by large UEG customers is also greatly affected by the price and availability of electricity.

Effective March 31, 1998, electric industry restructuring gave California consumers the option of selecting their electric energy provider from a variety of local and out-of-state producers. As a result, natural gas demand for electric generation within southern California competes with electric power generated throughout the western United States. Although electric industry restructuring has no direct impact on the Company's natural gas operations, future volumes of natural gas transported for UEG customers may be adversely affected to the extent that regulatory changes divert electricity from the Company's service area.

Other

Additional information concerning customer demand and other aspects of natural gas operations is provided under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Notes 11 and 12 of the notes to Consolidated Financial Statements herein.

RATES AND REGULATION

SDG&E is regulated by the CPUC, which consists of five commissioners appointed by the Governor of California for staggered six-year terms. It is the responsibility of the CPUC to determine that utilities operate within the best interests of their customers. The regulatory structure is complex and has a substantial impact on the profitability of the Company. Both the electric and natural gas industries are currently undergoing transitions to competition.

Electric Industry Restructuring

In September 1996, California enacted a law restructuring its electric utility industry. The legislation adopts the December 1995 CPUC policy decision restructuring the industry to stimulate competition and reduce rates. Additional information on electric industry restructuring is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 12 of the notes to Consolidated Financial Statements herein.

Natural Gas Industry Restructuring

The natural gas industry experienced an initial phase of restructuring during the 1980s by deregulating natural gas sales to noncore customers. In January 1998, the CPUC released a staff report initiating a proceeding to assess the current market and regulatory framework for California's natural gas industry. Additional information on natural gas industry restructuring is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 12 of the notes to Consolidated Financial Statements herein.

Balancing Accounts

In general, earnings fluctuations from changes in the costs of natural gas and consumption levels for the majority of natural gas are eliminated by balancing accounts authorized by the CPUC. As a result of California's electric restructuring law, overcollections recorded in the electric balancing accounts were applied to transition cost recovery, and fluctuations in certain costs and consumption levels now can affect earnings from electric operations. Additional information on balancing accounts is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 2 of the notes to Consolidated Financial Statements herein.

Performance-Based Regulation (PBR)

To promote efficient operations and improved productivity and to move away from reasonableness reviews and disallowances, the CPUC has been directing utilities to use PBR. PBR has replaced the general rate case and certain other regulatory proceedings for SDG&E. Additional information on PBR is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 12 of the notes to Consolidated Financial Statements herein.

Biennial Cost Allocation Proceeding (BCAP)

Rates to recover the changes in the cost of natural gas transportation services are determined in the BCAP. The BCAP adjusts rates to reflect variances in customer demand from estimates previously used in establishing customer natural gas transportation rates. The mechanism substantially eliminates the effect on income of variances in market demand and natural gas transportation costs. The BCAP will continue under PBR. Additional information on the BCAP is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 12 of the notes to Consolidated Financial Statements herein.

Affiliate Transactions

In December 1997, the CPUC adopted rules establishing uniform standards of conduct governing the manner in which California IOUs conduct business with their affiliates. Information on affiliate transactions is provided in "Management's Discussion and Analysis of Financial Condition and Results of

Operations" and in Note 12 of the notes to Consolidated Financial Statements herein.

Cost of Capital

Under PBR, annual Cost of Capital proceedings have been replaced by an automatic adjustment mechanism if changes in certain indices exceed established tolerances. Additional information on the utility's cost of capital is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 12 of the notes to Consolidated Financial Statements herein.

ENVIRONMENTAL MATTERS

Discussions about environmental issues affecting SDG&E, including hazardous substances and air and water quality, are included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein. The following additional information should be read in conjunction with those discussions.

Hazardous Substances

SDG&E lawfully disposed of hazardous wastes at off-site facilities owned and operated by other entities. Operations at these facilities may result in actual or threatened risks to the environment or public health. Under California law, redevelopment agencies are authorized to require landowners and other responsible parties to cleanup property within the agency's jurisdiction. Where the landowner or other responsible party fails to complete the required corrective action, the redevelopment agency can complete the work and obtain reimbursement from such parties.

The Redevelopment Agency for the City of San Diego has exerted its authority affecting SDG&E's Station A facility and adjacent properties to accommodate a major league ballpark and ancillary development proposed by the City. During the early 1900s, SDG&E and its predecessors manufactured gas from coal and oil at the Station A facility. Environmental assessments have identified residual by-products from the gas-manufacturing process and subsurface hydrocarbon contamination on portions of the Station A site. A risk assessment was completed for Station A and partial demolition was performed in 1997. Initial cleanup actions commenced in 1998, and most of the remediation was completed in 1999, at a cost of approximately \$8.7 million. Cleanup of Station A will be completed in 2000 at an estimated cost of \$700,000. Contaminants resulting from the gas-manufacturing process by-products were also assessed at SDG&E's Escondido and Oceanside sites. Remediation at the Escondido site was completed in 1998 and a site-closure letter received. Remediation at the Oceanside facility is scheduled for 2000 and the cost is not expected to be significant.

Station B is located in downtown San Diego and was operated as a steam and electric-generating facility between 1911 and June 1993 when it was closed. Asbestos and lead-based paint were used in the construction of the power plant. Activities to dismantle and decommission the facility required the removal of the asbestos and lead-based paint in a manner complying with all applicable environmental, health and safety laws. This work also included the removal or cleanup of small amounts of PCBs, fuel oil and other substances. These activities were completed in 1999 at a cost of \$6 million. The sale of Station B was completed in December 1999.

SDG&E sold its fossil-fuel power plants and combustion turbines in 1999. As a part of its due diligence for the sale, SDG&E conducted a thorough environmental assessment of the South Bay and Encina power plants and 17 combustion turbine sites. Pursuant to the sale agreements for such facilities, SDG&E and the buyers have apportioned responsibility for such environmental conditions generally based on contamination existing at the time of transfer and the cleanup level necessary for the continued use of the sites for electric generation. While the sites are relatively clean, the assessments identified some instances of significant contamination, principally resulting from hydrocarbon releases, for which SDG&E has a cleanup obligation under the agreement. Estimated costs to perform the necessary remediation are \$7 million to \$8 million at the South Bay power plant, \$0.9 million at the Encina power plant, and \$1.9 million at the combustion turbine sites. These costs were offset against the sales price for the facilities, together with other appropriate costs, and the remaining net proceeds were offset against SDG&E's other transition costs.

SDG&E and 10 other entities have been named potentially responsible parties (PRPs) by the California Department of Toxic Substances Control (DTSC) as liable for any required corrective action regarding contamination at a site in Pico Rivera, California. DTSC has taken this action because SDG&E and others sold used electrical transformers to the site's owner. The DTSC considers SDG&E to be responsible for 7.4 percent of the transformer-related contamination at the site. SDG&E and the other PRPs have entered into a cost-sharing agreement to provide funding for the implementation of a consent order between DTSC and the site owner for the development of a cleanup plan. SDG&E's interim share under the agreement is 10.1%, subject to adjustment based on ultimate responsibility allocations. The estimate for the

development of the cleanup plan is \$1 million. The estimate for the actual cleanup is in the \$2 million to \$8 million range.

At December 31, 1999, SDG&E's estimated remaining investigation and remediation liability related to hazardous waste sites was \$6 million, of which 90 percent is authorized to be recovered through the Hazardous Waste Collaborative mechanism. Any costs not ultimately recovered through rates, insurance or other means will not have a material adverse effect on SDG&E's consolidated results of operations or financial position.

Estimated liabilities for environmental remediation are recorded when amounts are probable and estimable. Amounts authorized to be recovered in rates under the Hazardous Substance Cost Recovery Account are recorded as a regulatory asset.

Electric and Magnetic Fields (EMFs)

Although scientists continue to research the possibility that exposure to EMFs causes adverse health effects, science, has not demonstrated a cause-and-effect relationship between adverse health effects and exposure to the type of EMFs emitted by power lines and other electrical facilities. Some laboratory studies suggest that such exposure creates biological effects, but those effects have not been shown to be harmful. The studies that have most concerned the public are epidemiological studies, some of which have reported a weak correlation between childhood leukemia and the proximity of homes to certain power lines and equipment. Other epidemiological studies found no correlation between estimated exposure and any disease. Scientists cannot explain why some studies using estimates of past exposure report correlations between estimated EMF levels and disease, while others do not.

To respond to public concerns, the CPUC has directed California utilities to adopt a low-cost EMF-reduction policy that requires reasonable design changes to achieve noticeable reduction of EMF levels that are anticipated from new projects. However, consistent with the major scientific reviews of the available research literature, the CPUC has indicated that no health risk has been identified.

Air and Water Quality

California's air quality standards are more restrictive than federal standards. However, as a result of the sale of the Company's fossil-fuel power plants and combustion turbines, the Company's primary air-quality issue, compliance with these standards is less significant.

The transmission and distribution of natural gas require the operation of compressor stations, which are subject to increasingly stringent air-quality standards. Costs to comply with these standards are recovered in rates.

In connection with the issuance of operating permits, SDG&E and the other owners of SONGS reached agreement with the California Coastal Commission to mitigate the environmental damage to the marine environment attributed to the cooling-water discharge from SONGS Units 2 and 3. This mitigation program includes an enhanced fish-protection system, a 150-acre artificial reef and restoration of 150 acres of coastal wetlands. In addition, the owners must deposit \$3.6 million with the state for the enhancement of fish hatchery programs and pay for monitoring and oversight of the mitigation projects. SDG&E's share of the cost is estimated to be \$24 million. The pricing structure contained in the CPUC's decision regarding accelerated recovery of SONGS Units 2 and 3 is expected to accommodate these added mitigation costs.

California has enacted legislation to protect ground water from contamination by hazardous substances. Underground storage containers require permits, inspections and periodic reports, as well as specific requirements for new tanks, closure of old tanks and monitoring systems for all tanks. It is expected that cleanup of sites previously contaminated by underground tanks will occur for an unknown number of years. SDG&E cannot predict the cost of such cleanup.

In May 1987 the Regional Water Quality Control Board (RWQCB) issued SDG&E a cleanup and abatement order for gasoline contamination originating from an underground storage tank located at the utility's Mountain Empire Operation and Maintenance facility. SDG&E assessed the extent of the contamination, removed all contaminated soil and completed remediation of the site. Monitoring of the site confirms its remediation. SDG&E has received a site-closure letter from the RWQCB.

OTHER MATTERS

Year 2000

Sempra Energy established an overall company-wide Year 2000 readiness effort that included SDG&E. There were only a few, very minor year 2000 interruptions to the Company's automated systems and applications with suppliers and customers. Sempra Energy incurred expenses of \$48 million (including \$7.6 million in 1999) for its Year 2000 readiness effort and expects to incur no additional costs.

Research, Development and Demonstration (RD&D)

As a result of electric-industry restructuring, SDG&E has significantly reduced its electric RD&D program. For 1999, the CPUC authorized SDG&E to fund \$1.2 million and \$4 million in its natural gas and electric RD&D programs, respectively, which includes \$3.9 million to the CEC's electric public purpose RD&D program. Annual RD&D costs have averaged \$4.7 million over the past three years.

Employees of Registrant

As of December 31, 1999, SDG&E had 3,071 employees, compared to 2,982 at December 31, 1998.

Wages

Certain employees at SDG&E are represented by the International Brotherhood of Electrical Workers, Local 465, with two labor agreements. The generation contract runs through February 28, 2001 and the transmission and distribution contract runs through August 31, 2001.

ITEM 2. PROPERTIES

Electric Properties

The utility's generating capacity is described in "Electric Resources" herein.

SDG&E's electric transmission and distribution facilities include substations, and overhead and underground lines. Periodically various areas of the service territory require expansion to handle customer growth.

Natural Gas Properties

SDG&E's natural gas facilities are located in San Diego and Riverside counties and consist of the Moreno and Rainbow compressor stations, 167 miles of high pressure transmission pipelines, 6,971 miles of high and low pressure distribution mains, and 5,791 miles of service lines.

Other Properties

SDG&E occupies an office complex at Century Park Court in San Diego pursuant to an operating lease ending in the year 2007. The lease can be renewed for two five-year periods.

SDG&E owns or leases other offices, operating and maintenance centers, shops, service facilities, and equipment necessary in the conduct of business.

ITEM 3. LEGAL PROCEEDINGS

Neither the Company nor its affiliates are party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

All of the issued and outstanding common stock of SDG&E is owned by Enova, a wholly owned subsidiary of Sempra Energy. The information required by Item 5 concerning dividends declared is included in the "Statements of Consolidated Changes in Shareholders' Equity" set forth in Item 8 of this Annual Report herein.

Dividend Restrictions

The CPUC regulates SDG&E's capital structure, limiting the dividends it may pay. At December 31, 1999, \$401 million of retained earnings was available for future dividends.

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in millions)

	At December 31, or for the years then ended				
	1999	1998	1997	1996	1995
Income Statement Data:					
Operating Revenues	\$2,207	\$2,249	\$2,167	\$1,939	\$1,814
Operating Income	\$ 281	\$ 286	\$ 317	\$ 309	\$ 315
Dividends on Preferred Stock	\$ 6	\$ 6	\$ 6	\$ 6	\$ 8
Earnings Applicable to					
Common Shares	\$ 193	\$ 185	\$ 232	\$ 216	\$ 226

Balance Sheet Data:					
Total Assets	\$4,366	\$4,257	\$4,654	\$4,161	\$4,473
Long-Term Debt	\$1,418	\$1,548	\$1,788	\$1,285	\$1,217
Short-Term Debt (a)	\$ 66	\$ 72	\$ 73	\$ 34	\$ 124
Shareholders' Equity	\$1,393	\$1,203	\$1,465	\$1,483	\$1,614

(a) Includes long-term debt due within one year.

Since San Diego Gas & Electric Company is a wholly owned subsidiary of Enova Corporation, per share data has been omitted.

This data should be read in conjunction with the consolidated financial statements and the notes to Consolidated Financial Statements contained herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

This section includes management's discussion and analysis of operating results from 1997 through 1999, and provides information about the capital resources, liquidity and financial performance of San Diego Gas & Electric (SDG&E or the Company). This section also focuses on the major factors expected to influence future operating results and discusses investment and financing plans. It should be read in conjunction with the consolidated financial statements included in this Annual Report.

The Company is an operating public utility engaged in the electric and natural gas businesses. It generates and purchases electric energy and distributes it to 1.2 million customers in San Diego County and an adjacent portion of Orange County, California. It also purchases and distributes natural gas to 0.7 million customers in San Diego County and transports electricity and gas for others. The Company is the principal subsidiary of Enova Corporation (Enova or the Parent), which is wholly owned by Sempra Energy. SDG&E's only subsidiary is SDG&E Funding LLC, which is described below under "Electric Rates."

Business Combinations

Sempra Energy was formed to serve as a holding company for Pacific Enterprises (PE, the parent corporation of the Southern California Gas Company) and Enova in connection with a business combination that became effective on June 26, 1998 (the PE/Enova business combination). In connection with the PE/Enova business combination, the holders of common stock of PE and Enova became the holders of Sempra Energy's common stock. The preferred stock of SDG&E remained outstanding. The combination was a tax-free transaction. Expenses incurred in connection with the business combination were \$35 million, after tax, in 1998. There were no business combination costs in 1999. These costs consist primarily of employee-related costs, and investment banking, legal, regulatory and consulting fees. See Note 1 of the notes to the Consolidated Financial Statements for additional information.

Capital Resources And Liquidity

The Company's operations continue to be a major source of liquidity. In addition, working capital requirements are met primarily through the issuance of short-term and long-term debt. Cash requirements primarily include capital investments in plant.

Additional information on sources and uses of cash during the last three years is summarized in the following condensed statement of consolidated cash flows:

SOURCES AND (USES) OF CASH			
(Dollars in millions)	Year Ended December 31		
	1999	1998	1997

Operating Activities	\$ 520	\$ 535	\$ 381

Investing Activities:			
Net proceeds from sale of assets	466	--	--
Loan to parent	(422)	--	--
Capital expenditures	(245)	(227)	(197)
Other	(24)	(50)	(17)

Total Investing Activities	(225)	(277)	(214)

Financing Activities:			
Dividends paid	(106)	(269)	(256)
Long-term debt - net	(136)	(241)	544

Total Financing Activities	(242)	(510)	288

Increase (decrease) in cash and cash equivalents	\$ 53	\$(252)	\$ 455
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Cash Flows From Operating Activities

The decrease in cash flows from operating activities in 1999 was primarily due to the completion of the recovery of SDG&E's stranded costs and to reduced revenues - both the result of the sale of SDG&E's fossil power plants and combustion turbines in the second quarter of 1999. See additional discussion on the sale of the power plants in Note 14 of notes to Consolidated Financial Statements for additional information. This decrease was partially offset by lower expenses incurred in connection with the PE/Enova business combination. See Note 1 of the notes to the Consolidated Financial Statements for additional information.

The increase in cash flows from operating activities in 1998 was primarily due to increased revenue partially offset by recovery of stranded costs via the competition transition charge and the 10-percent rate reduction reflected in customers' bills. The increase was also partially offset by expenses incurred in connection with the business combination.

Cash Flows From Investing Activities

Cash flows from investing activities in 1999 included the proceeds from the sale of assets offset by loans to the Parent and capital expenditures. The South Bay Power Plant was sold to the San Diego Unified Port District for \$110 million. The Encina Power Plant and 17 combustion-turbine generators were sold to Dynegy, Inc. and NRG Energy, Inc. for \$356 million. See additional discussion in Note 12 of the notes to Consolidated Financial Statements.

Capital Expenditures

Capital expenditures were \$18 million higher in 1999 compared to 1998 primarily due to a natural gas system expansion and additional improvements to the electric distribution system.

Capital expenditures were \$30 million higher in 1998 than in 1997 due to increased spending for system integrity and reliability projects, restoration of service and mandated programs.

Capital expenditures are estimated to be \$310 million in 2000. They will be financed primarily by internally generated funds.

Cash Flows From Financing Activities

Net cash used in financing activities decreased in 1999 primarily due to lower dividends to the Parent and lower long-term debt repayments in 1999.

Net cash used by financing activities increased in 1998 due to the issuance of Rate Reduction Bonds in 1997 (see "Long-Term Debt" below) and greater long-term debt repayments in 1998.

Long-Term Debt

In 1999, cash was used for the repayment of \$28 million of first-mortgage bonds, and \$66 million of rate-reduction bonds

In 1998, cash was used for the repayment of \$147 million of first-mortgage bonds, and \$66 million of rate-reduction bonds.

In December 1997, \$658 million of Rate Reduction Bonds were issued on SDG&E's behalf at an average interest rate of 6.26 percent. A portion of the bond proceeds was used to retire variable-rate, taxable Industrial Development Bonds (IDBs). Additional information concerning the Rate Reduction Bonds is provided below under "Electric Industry Restructuring."

SDG&E has \$58 million of temporary investments that will be maintained into the future to offset, for regulatory purposes, a like amount of long-term debt since this was more cost-effective than redeeming low-rate debt. The specific debt series being offset consists of variable-rate IDBs. The California Public Utility Commission (CPUC) has approved specific ratemaking treatment that allows SDG&E to offset IDBs as long as there is at least a like amount of temporary investments. If and when SDG&E requires all or a portion of the \$58 million of IDBs to meet future needs for long-term debt, such as to finance new construction, the amount of investments which are being maintained will be reduced below \$58 million and the level of IDBs being offset will be reduced by the same amount.

Dividends

Dividends paid to parent amounted to \$100 million in 1999, compared to \$263 million in 1998 and \$250 million in 1997.

The payment of future dividends and the amount thereof are within the discretion of the board of directors.

Capitalization

Total capitalization at December 31, 1999 was \$2.9 billion. The debt to capitalization ratio was 51 percent, 57 percent and 56 percent at December 31, 1999, 1998 and 1997, respectively. The decrease in the debt-to-capital ratio in 1999 is primarily due to 1999's income and because no dividends were declared to the parent in 1999. In addition, there was lower long-term debt outstanding in 1999 compared to 1998. The increase for 1998 was primarily due

to the declaration of dividends to Enova.

Cash And Cash Equivalents

Cash and cash equivalents were \$337 million at December 31, 1999. The Company anticipates that operating cash required in 2000 for capital expenditures, common stock dividends and debt payments will be provided by cash generated from operating activities and existing cash balances.

In addition to cash from ongoing operations, the Company has multi-year credit agreements that permit term borrowings of up to \$205 million. At December 31, 1999 all bank lines of credit were unused. For further discussion, see Notes 3 and 4 of the notes to Consolidated Financial Statements.

Management believes that the sources of funding described above are sufficient to meet short-term and long-term liquidity needs.

Ratemaking Procedures

To understand the operations and financial results of the Company it is important to understand the ratemaking procedures that the Company follows.

The Company is regulated by the CPUC. It is the responsibility of the CPUC to determine that utilities operate in the best interests of their customers and have the opportunity to earn a reasonable return on investment. In response to utility-industry restructuring, SDG&E received approval from the CPUC for performance-based regulation (PBR).

Under PBR, regulators allow income potential to be tied to achieving or exceeding specific performance and productivity measures, rather than relying solely on expanding utility plant in a market where a utility already has a highly developed infrastructure. See additional discussion of PBR in Note 12 of the notes to Consolidated Financial Statements.

In September 1996, California enacted a law restructuring California's electric-utility industry (AB 1890). The legislation adopted the December 1995 CPUC policy decision restructuring the industry to stimulate competition and reduce rates. Beginning on March 31, 1998, customers were able to buy their electricity through the California Power Exchange (PX), which obtains power from qualifying facilities, from nuclear units and lastly, from the lowest-bidding suppliers. The PX serves as a wholesale power pool, allowing all energy producers to participate competitively. An Independent System Operator (ISO) schedules power transactions and access to the transmission system.

The natural gas industry experienced an initial phase of restructuring during the 1980s by deregulating natural gas sales to noncore customers. The CPUC is studying the issue of restructuring for sales to noncore customers.

See additional discussion of electric-industry and natural gas-industry restructuring below in "Industry Restructuring" and Note 12 of the notes to Consolidated Financial Statements.

Results Of Operations

1999 Compared to 1998

Net income for 1999 increased 4 percent to \$199 million, compared to net income of \$191 million in 1998. The increase is primarily due to \$35 million, after-tax, of PE/Enova business combination expense in 1998 (none in 1999) partially offset by lower income from electric operations. Net income decreased 28 percent to \$36 million for the three months ended December 31, 1999, compared to net income of \$50 million for the corresponding period in 1998. The decrease is due to lower income from electric operations in 1999 and higher interest on the portion of the rate-reduction bond liability which is expected to be refunded to customers.

Electric revenues decreased 3 percent in 1999 compared to 1998, primarily due to the decrease in base electric rates from the elimination of the rate freeze effective July 1, 1999.

Revenues from gas operations increased 1 percent in 1999 primarily due to higher residential and utility electric generation (UEG) revenues. The increased residential revenues are due to slightly higher volumes sold in 1999 compared to 1998. The increase in UEG revenues was primarily due to the 1999 sale of SDG&E's fossil fuel generating plants, since 1999 revenue now includes the selling price of natural gas instead of just the margin.

The Company's gas purchased for resale increased 1 percent in 1999, largely due to greater sales to residential and commercial and industrial customers.

As discussed in Note 12 of the notes to the Consolidated Financial Statements, PX/Independent System Operator (ISO) power revenues have been netted against purchased-power expense, including purchases from the PX/ISO. The PX/ISO began operations on March 31, 1998.

Depreciation and decommissioning expense decreased 7 percent in 1999, primarily due to the mid-year completion of the accelerated recovery of generation assets.

Operating expenses decreased 11 percent in 1999, primarily due to the lower business-combination costs, previously discussed.

1998 Compared to 1997

Net income for 1998 decreased 20 percent to \$191 million in 1998, compared to net income of \$238 million in 1997. The decrease in net income was primarily due to higher PE/Enova business combination costs, lower incentive awards for performance-based regulation, and changes in regulatory mechanisms for recording revenues due to electric industry restructuring. Included in the calculation of net income are business combination costs of \$35 million, after tax, in 1998 and \$11 million, after tax, in 1997. Net income decreased 34 percent to \$50 million for the three months ended December 31, 1998, compared to net income of \$76 million for corresponding period in 1997. The decrease is primarily due to lower incentive awards for performance-based regulation and other programs, and changes in regulatory mechanisms for recording revenues due to electric industry restructuring in 1998.

Electric revenues increased 5 percent in 1998 compared to 1997, primarily due to the recovery of stranded costs via the competition transition charge (CTC), and to alternate costs incurred (including fuel and purchased power) due to the delay from January 1 to March 31, 1998, in the start-up of operations of the PX/ISO. These factors were partially offset by a decrease in retail revenue as a result of the 10-percent small customer rate reduction, which became effective in January 1998, and by a decrease in sales to other utilities, due to the start-up of the PX. The 10-percent rate reduction and PX are described further under "Factors Influencing Future Performance" and in Note 12 of the notes to Consolidated Financial Statements.

Natural gas revenues decreased 4 percent in 1998 compared to 1997. Residential sales increased primarily due to greater volumes sold. The decrease in balancing accounts and other is primarily due to greater overcollections in 1998 versus 1997.

As previously discussed, PX/ISO power revenues have been netted against purchased-power expense, including purchases from the PX/ISO. Results for 1998 have been reclassified to effect this change.

Gas purchased for resale decreased 9 percent in 1998 compared to 1997 due to a decrease in the average price of natural gas.

Depreciation and amortization expense increased 86 percent in 1998, primarily due to the recovery of stranded costs via the CTC. The earnings impact of the increase is offset by CTC revenue (see above).

Operating expenses increased 22 percent in 1998, primarily due to the higher business-combination costs (\$57 million, pretax, in 1998 compared to \$11 million, pretax, in 1997) and higher electric-distribution maintenance costs primarily related to the Company's tree-trimming program.

The table below summarizes the components of utility electric and natural gas volumes and revenues by customer class for 1999, 1998 and 1997.

ELECTRIC DISTRIBUTION

(Dollars in millions, volumes in millions of Kwhrs)

	1999		1998		1997	
	Volumes	Revenue	Volumes	Revenue	Volumes	Revenue
Residential	6,327	\$663	6,282	\$637	6,125	\$684
Commercial	6,284	592	6,821	643	6,940	680
Industrial	2,034	154	3,097	233	3,607	268
Direct access	3,212	118	964	44	-	-
Street and highway lighting	73	7	85	8	76	7
Off-system sales	383	10	706	15	4,919	116
	18,313	1,544	17,955	1,580	21,667	1,755
Balancing and other		274		285		14
Total	18,313	\$1,818	17,955	\$1,865	21,667	\$1,769

GAS SALES, TRANSPORTATION & EXCHANGE

(Dollars in millions, volumes in billion cubic feet)

	Gas Sales		Transportation & Exchange		Total	
	Throughput	Revenue	Throughput	Revenue	Throughput	Revenue
1999:						
Residential	38	\$ 270	-	-	38	\$ 270
Commercial and Industrial	22	111	18	\$15	40	126
Utility Electric Generation*	18	7	30	6	48	13
	78	\$ 388	48	\$21	126	409
Balancing accounts and other						(20)
Total						\$ 389

1998:						
Residential	35	\$ 258	-	-	35	\$ 258
Commercial and Industrial	21	105	19	\$16	40	121
Utility Electric Generation*	57	9	-	-	57	9
	113	\$ 372	19	\$16	132	388
Balancing accounts and other						(4)
Total						\$ 384

1997:						
Residential	31	\$ 231	-	-	31	\$ 231
Commercial and Industrial	22	115	17	\$18	39	133
Utility Electric Generation*	49	14	-	-	49	14
	102	\$ 360	17	\$18	119	378
Balancing accounts and other						20
Total						\$ 398

* Prior to the sale of SDG&E's power plants in 1999, the portion representing SDG&E's sales for electric generation includes margin only.

Other Income, Interest Expense, and Income Taxes

Other Income

Other income increased to \$38 million in 1999 from \$11 million in 1998, primarily due to higher interest earned on a loan to Sempra Energy. Other income increased to \$11 million in 1998 from a loss of \$5 million in 1997 primarily due to interest earned on temporary investment balances, which were higher in 1998 than in 1997 due to cash received from the issuance of the rate-reduction bonds in December 1997.

Interest Expense

Interest expense for 1999 increased to \$120 million from \$106 million in 1998 primarily due to interest of \$28 million on the portion of the rate-reduction bond liability which is expected to be refunded to customers, partially offset by lower interest expense on long-term debt as a result of lower long-term debt balances during 1999. Interest expense for 1998 increased to \$106 million from \$74 million primarily due to the issuance of rate-reduction bonds in December 1997. See additional discussion of rate reduction bonds in Note 4 of the notes to Consolidated Financial Statements.

Income Taxes

Income tax expense was \$126 million, \$142 million and \$219 million for the years ended December 31, 1999, 1998 and 1997, respectively. The effective income tax rates were 39 percent, 43 percent and 48 percent for the same periods. The decrease in income taxes for 1999 is primarily due to the charitable contribution to the San Diego Unified Port District in connection with the sale of the South Bay generating plant. The decrease in income taxes for 1998 is due to lower income before income taxes and to tax issues related to the recovery of CTC.

Factors Influencing Future Performance

Performance of the Company in the near future will depend primarily on the ratemaking and regulatory process, electric and natural gas industry restructuring, and the changing energy marketplace. These and other factors are summarized below.

Industry Restructuring

In September 1996, California enacted a law restructuring California's electric-utility industry (AB 1890). Consumers now have the opportunity to continue to purchase their electricity from the local utility under regulated tariffs, to enter into contracts with other energy service providers (direct access) or to buy their power from the PX. The PX serves as a wholesale power pool allowing all energy producers to participate competitively.

Thus far, electric-industry deregulation has been confined to generation. Transmission and distribution have remained subject to traditional cost-of-service and performance-based ratemaking regulation. However, the CPUC is exploring the possibility of opening up electric distribution to competition. During 2000, the CPUC will consider whether any changes should be made in electric distribution regulation. A CPUC staff report will be submitted on this issue to the CPUC in the second quarter of 2000. SDG&E will actively participate in this effort. See Note 14 of the notes to Consolidated Financial Statements for additional information.

On December 20, 1999 the FERC issued "Order 2000" concerning the

formation of Regional Transmission Organizations (RTOs). The rule generally requires all public utilities that own, operate or control interstate transmission to file by October 15, 2000, a proposal for an RTO. Public utilities that are members of an existing, FERC-approved regional entity must file by January 15, 2001. The rule states that RTOs will be operational by December 15, 2001 and will address many issues to improve the transmission of energy. See additional discussion in Note 12 of the notes to the Consolidated Financial Statements.

The natural gas industry experienced an initial phase of restructuring during the 1980s by deregulating natural gas sales to noncore customers. On January 21, 1998, the CPUC released a staff report initiating a proceeding to assess the current market and regulatory framework for California's natural gas industry. The general goals of the plan are to consider reforms to the current regulatory framework emphasizing market-oriented policies benefiting California's natural gas consumers.

In August 1998, California enacted a law prohibiting the CPUC from enacting any natural gas industry restructuring decision for core (residential and small commercial) customers prior to January 1, 2000. During the implementation moratorium, the CPUC held hearings throughout the state and intends to give the legislature a draft ruling before adopting a final market-structure policy. SDG&E has been actively participating in this effort and has argued in support of competition intended to maximize benefits to customers rather than to protect competitors.

In October 1999, the State of California enacted a law (AB1421) which requires that gas utilities provide "bundled basic gas service" (including transmission, storage, distribution, purchasing, revenue-cycle services and after-meter services) to all core customers, unless the customer chooses to purchase gas from a non-utility provider. The law prohibits the CPUC from unbundling distribution-related gas services (including meter reading and billing) and after-meter services (including leak investigation, inspecting customer piping and appliances, pilot relighting and carbon monoxide investigation) for most customers. The objective is to preserve both customer safety and customer choice.

Transition Costs

AB 1890 allows utilities, within certain limits, the opportunity to recover their stranded costs incurred for certain above-market CPUC-approved facilities, contracts and obligations through the establishment of the CTC.

Utilities are allowed a reasonable opportunity to recover their stranded costs through December 31, 2001. Stranded costs include sunk costs, as well as ongoing costs the CPUC finds reasonable and necessary to maintain generation facilities through December 31, 2001. These costs also include other items SDG&E has accrued under traditional cost-of-service regulation.

In June 1999, SDG&E completed the recovery of a majority of its stranded costs. The recovery was effected by, among other things, the sale of SDG&E's fossil power plants and combustion turbines during the quarter ended June 30, 1999. Costs related to the above-market portion of qualifying facilities and other purchased-power contracts that were in effect at December 31, 1995, and the San Onofre Nuclear Generating Station (SONGS) will continue to be recovered in rates. See Note 12 of the notes to Consolidated Financial Statements for additional information.

Electric Rates

AB 1890 provides for a 10-percent reduction in rates for residential and small commercial customers beginning in January 1998, and provided for the issuance of rate-reduction bonds by an agency of the State of California to enable its investor-owned utilities (IOUs) to achieve this rate reduction. In December 1997, \$658 million of rate-reduction bonds were issued on behalf of SDG&E at an average interest rate of 6.26 percent. These bonds are being repaid over 10 years by SDG&E's residential and small commercial customers via a non-bypassable charge on their electricity bills. SDG&E formed a subsidiary, SDG&E Funding LLC, to facilitate the issuance of the rate-reduction bonds. In exchange for the bond proceeds, SDG&E sold to SDG&E Funding LLC all of its rights to the revenue streams. Consequently, the revenue streams are not the property of SDG&E and are not available to creditors of SDG&E.

The sizes of the rate-reduction bond issuances were set so as to make the IOUs neutral as to the 10-percent rate reduction, and were based on a four-year period to recover stranded costs. Because SDG&E recovered its stranded costs in only 18 months (due to the greater-than-anticipated plant-sale proceeds), the bond proceeds were greater than needed. Accordingly, SDG&E will return to its customers over \$400 million that it has collected or will collect from its customers. The timing of the return will differ from the timing of the collection, but the specific timing of the repayment and the interest rate thereon are the subject of a CPUC proceeding and are expected to be resolved in the second quarter of 2000. This refund will not affect SDG&E's net income, except to the extent that the interest cost associated with the refund (12.63 percent if not reduced as a result of the CPUC proceeding) differs from the return earned by the Company on the funds. The bonds and their repayment schedule are unaffected by this refund.

AB 1890 also includes a rate freeze for all IOU customers during the CTC period. Beginning in 1998, SDG&E's system-average rates were fixed at 9.43

cents per kwh. The rate freeze would have stayed in place until January 1, 2002. However, in connection with completion of its stranded cost recovery (described below), SDG&E filed with the CPUC for a mechanism to structure electric rates after the end of the rate freeze. SDG&E received approval to reduce base rates (the non-commodity portion of rates) to all electric customers effective July 1, 1999. The portion of the electric rate representing the commodity cost is simply passed through to customers and will fluctuate with the price of electricity from the PX. Except for the interim protection mechanism described below, customers will no longer be protected from commodity price fluctuations.

In April 1999, SDG&E filed an all-party settlement (including energy service providers, the CPUC's Office of Ratepayer Advocates (ORA), and the Utility Consumers Action Network (UCAN)) detailing proposed implementation plans for lifting the rate freeze. Included in the settlement is an interim customer-protection mechanism for residential and small commercial customers that capped rates between July 1999 and September 1999, regardless of how high the PX price had moved during the period. The resulting undercollection (which amounted to less than \$1 million) is being recovered through a balancing account mechanism. The interim rate-freeze period runs until the CPUC issues its decision on the pending legal and policy issues for ending the rate freeze. This decision is expected during the second quarter of 2000.

Performance-Based Regulation (PBR)

To promote efficient operations and improved productivity and to move away from reasonableness reviews and disallowances, the CPUC has been directing utilities to use PBR. PBR has replaced the general rate case and certain other regulatory proceedings for the Company. Under PBR, regulators require future income potential to be tied to achieving or exceeding specific performance and productivity goals, as well as cost reductions, rather than by relying solely on expanding utility plant in a market where a utility already has a highly developed infrastructure. See additional discussion of PBR above and in Note 12 of the notes to Consolidated Financial Statements.

Accounting Standards

Except for electric generation SDG&E accounts for the economic effects of regulation in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." Under SFAS No. 71, a regulated entity records a regulatory asset if it is probable that, through the ratemaking process, the utility will recover the asset from customers. Regulatory liabilities represent future reductions in revenues for amounts due to customers. See Notes 2 and 12 of the notes to Consolidated Financial Statements for additional information.

Affiliate Transactions

On December 16, 1997, the CPUC adopted rules establishing uniform standards of conduct governing the manner in which California IOUs conduct business with their affiliates. The objective of these rules, which became effective January 1, 1998, is to ensure that the utilities' energy affiliates do not gain an unfair advantage over other competitors in the marketplace and that utility customers do not subsidize affiliate activities.

The CPUC excluded utility-to-utility transactions between the Company and SoCalGas from the affiliate-transaction rules in its March 1998 decision approving the PE/Enova business combination. See Notes 1 and 12 of the notes to Consolidated Financial Statements for additional information.

Allowed Rate of Return

In June 1999, the Company was authorized to earn a rate of return on rate base of 8.75 percent and a rate of return on common equity of 10.60 percent, compared to 9.35 percent and 11.6 percent prior to July 1, 1999, respectively. The Company can earn more than the authorized rate by controlling costs below approved levels, by experiencing increased volumes of sales not subject to balancing accounts (both of which are subject to revenue sharing, as described in Note 12 of the notes to Consolidated Financial Statements) or by achieving favorable results in certain areas, such as incentive mechanisms that are not subject to revenue sharing. See additional discussion in Note 12 of the notes to Consolidated Financial Statements.

Management Control of Expenses and Investment

In the past, management has been able to control operating expenses and investment within the amounts authorized to be collected in rates. It is the intent of management to control operating expenses and investments within the amounts authorized to be collected in rates in the PBR decision. The Company intends to make the efficiency improvements, changes in operations and cost reductions necessary to achieve this objective and earn at least its authorized rate of return. However, in view of the earnings-sharing mechanism and other elements of the PBR, it is more difficult to exceed authorized returns to the degree experienced prior to the inception of PBR. See additional discussion of PBR above and in Note 12 of the notes to

Environmental Matters

The Company's operations are subject to federal, state and local environmental laws and regulations governing such things as land use, solid waste disposal, hazardous wastes, air and water quality, and the protection of wildlife.

Because the potential situations in which the Company is faced with environmental issues are in connection with utility operations, capital costs to comply with environmental requirements are generally recovered through the depreciation components of customer rates. California utilities' customers also generally are responsible for 90 percent of the non-capital costs associated with hazardous substances and the normal operating costs associated with safeguarding air and water quality, disposing properly of solid wastes, and protecting endangered species and other wildlife. Therefore, the likelihood of the Company's financial position or results of operations being adversely affected in a significant amount is remote.

The environmental issues currently facing the Company or resolved during the latest three-year period include investigation and remediation of its manufactured-gas sites (one completed as of December 31, 1999 and three to be completed), asbestos and other cleanup at its former fossil fueled power plants (all sold in 1999 and actual or estimated cleanup costs included in the transactions), cleanup of third-party waste disposal sites used by the Company, which has been identified as a Potentially Responsible Party (investigation and remediations are continuing), and mitigation of damage to the marine environment caused by the cooling-water discharge from SONGS Units 2 and 3 (the requirements for enhanced fish protection, a 150-acre artificial reef and restorations on 150 acres of coastal wetlands are in process).

Market Risk

The Company's policy is to use derivative financial instruments to reduce its exposure to fluctuations in interest rates, foreign currency exchange rates and energy prices. Transactions involving these financial instruments are with reputable firms and major exchanges. The use of these instruments exposes the Company to market and credit risks. At times, credit risk may be concentrated with certain counterparties, although counterparty nonperformance is not anticipated.

The Company periodically enters into interest-rate swap and cap agreements to moderate exposure to interest-rate changes and to lower the overall cost of borrowing. These swap and cap agreements generally remain off the balance sheet as they involve the exchange of fixed-rate 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. The Company would be exposed to interest-rate fluctuations on the underlying debt should other parties to the agreement not perform. Such nonperformance is not anticipated. At December 31, 1999, the notional amount of swap transactions associated with the regulated operations totaled \$45 million. See Note 9 of the notes to Consolidated Financial Statements for further information regarding these swap transactions.

The Company uses energy derivatives to manage natural gas price risk associated with servicing its load requirements. These instruments include forward contracts, futures, swaps, options and other contracts, with maturities ranging from 30 days to 12 months. In the case of price-risk management, the use of derivative financial instruments by the Company is subject to certain limitations imposed by Sempra Energy's risk management policies and regulatory requirements. The counterparties with whom the Company enters into derivative transactions must also meet corporate credit standards. See Note 9 of the notes to Consolidated Financial Statements and the "Market Risk Management Activities" section below for further information regarding the use of energy derivatives by the Company.

Market Risk Management Activities

Market risk is the risk of erosion of the Company's cash flows, net income and asset values due to adverse changes in interest and foreign-currency rates, and in prices for equity and energy. Sempra Energy has adopted corporate-wide policies governing its market-risk management activities. An Energy Risk Management Oversight Committee, consisting of senior officers, oversees company-wide energy-price risk-management and trading activities to ensure compliance with Sempra Energy's stated energy risk management and trading policies. In addition, all affiliates have groups that monitor and control energy-price risk management and trading activities independently from the groups responsible for creating or actively managing these risks.

Along with other tools, the Company uses Value at Risk (VaR) to measure its exposure to market risk. VaR is an estimate of the potential loss on a position or portfolio of positions over a specified holding period, based on normal market conditions and within a given statistical confidence level. The Company has adopted the variance/covariance methodology in its calculation of VaR, and uses a 95 percent confidence level. Holding periods are specific to the types of positions being measured, and are determined based on the size of the position or portfolios, market liquidity, purpose and other factors.

Historical volatilities and correlations between instruments and positions are used in the calculation.

The following is a discussion of the Company's primary market-risk exposures as of December 31, 1999, including a discussion of how these exposures are managed.

Interest-Rate Risk

The Company is exposed to fluctuations in interest rates primarily as a result of its fixed-rate long-term debt. The Company has historically funded operations through long-term bond issues with fixed interest rates. With the restructuring of the regulatory process, greater flexibility has been permitted within the debt-management process. As a result, recent debt offerings have been selected with short-term maturities to take advantage of yield curves or used a combination of fixed- and floating-rate debt. Subject to regulatory constraints, interest-rate swaps may be used to adjust interest-rate exposures when appropriate, based upon market conditions.

The VaR on the Company's fixed-rate long-term debt is estimated at approximately \$77 million as of December 31, 1999, assuming a one-year holding period.

Energy-Price Risk

Market risk related to physical commodities is based upon potential fluctuations in natural gas and electricity prices and basis. The Company's market risk is impacted by changes in volatility and liquidity in the markets in which these instruments are traded. The Company is exposed, in varying degrees, to price risk in the natural gas and electricity markets. The Company's policy is to manage this risk within a framework that considers the unique markets, operating and regulatory environment.

Market Risk

SDG&E may, at times, be exposed to limited market risk in its natural gas purchase, sale and storage activities as a result of activities under its gas PBR. SDG&E manages this risk within the parameters of the Company's market-risk management and trading framework. As of December 31, 1999, the total VaR of SDG&E's natural gas positions was not material.

Credit Risk

Credit risk relates to the risk of loss that would be incurred as a result of nonperformance by counterparties pursuant to the terms of their contractual obligations. The Company avoids concentration of counterparties and maintains credit policies with regard to counterparties that management believes significantly minimize overall credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit rating), collateral requirements under certain circumstances, and the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty.

The Company monitors credit risk through a credit-approval process and the assignment and monitoring of credit limits. These credit limits are established based on risk and return considerations under terms customarily available in the industry.

Year 2000 Issues

Sempra Energy established an overall company-wide Year 2000 readiness effort that included SDG&E. There were only a few, very minor year 2000 interruptions to the Company's automated systems and applications with suppliers and customers. Sempra Energy incurred expenses of \$48 million (\$7.6 million in 1999) for its Year 2000 readiness effort and expects to incur no additional costs

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133 Accounting for Derivative Instruments and Hedging Activities. In June 1999, the effective date of this statement was deferred for one year. As amended, SFAS 133, which is effective for the company on January 1, 2001, requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position, measure those instruments at fair value and recognize changes in the fair value of derivatives in earnings in the period of change unless the derivative qualifies as an effective hedge that offsets certain exposures. The effect of this standard on the company's Consolidated Financial Statements has not yet been determined.

Information Regarding Forward-Looking Statements

This Annual Report contains statements that are not historical fact and constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimates," "believes," "expects," "anticipates," "plans," "intends," "may" and "should" or similar expressions or discussions of strategy or of plans are intended to identify forward-looking statements that involve risks and uncertainties and assumptions. Future results may differ materially from those expressed in

these forward-looking statements.

These statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others, local, regional, national and international economic, competitive, political and regulatory conditions and developments; technological developments; capital market conditions; inflation rates; interest rates; exchange rates; energy markets, including the timing and extent of changes in commodity prices; weather conditions; business, regulatory or legal decisions; the pace of deregulation of retail natural gas and electricity delivery; the timing and success of business development efforts; and other uncertainties - all of which are difficult to predict and many of which are beyond the control of the Company. Readers are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which affect the Company's business described in this annual report and other reports filed by the Company from time to time with the Securities and Exchange Commission.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 7A is set forth under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Management Activities."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of San Diego Gas & Electric Company:

We have audited the accompanying consolidated balance sheets of San Diego Gas & Electric Company and subsidiary as of December 31, 1999 and 1998, and the related statements of consolidated income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of San Diego Gas & Electric Company and subsidiary as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

San Diego, California
February 4, 2000

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY STATEMENTS OF CONSOLIDATED INCOME Dollars in millions

For the years ended December 31	1999	1998	1997
	-----	-----	-----
Operating Revenues			
Electric	\$1,818	\$1,865	\$1,769
Gas	389	384	398
	-----	-----	-----
Total	2,207	2,249	2,167
	-----	-----	-----
Expenses			
Electric fuel	69	177	164
Purchased power - net	467	260	441
Gas purchased for resale	168	166	183

Operation and maintenance	479	541	443
Depreciation and decommissioning	561	603	324
Other taxes and franchise payments	80	83	78
Income taxes	102	133	217
	-----	-----	-----
Total	1,926	1,963	1,850
	-----	-----	-----
Operating Income	281	286	317
	-----	-----	-----
Other Income and (Deductions)			
Allowance for equity funds used during construction	5	5	5
Interest income	40	31	4
Regulatory Interest	(6)	(2)	(7)
Taxes on nonoperating income	(24)	(9)	(2)
Other - net	23	(14)	(5)
	-----	-----	-----
Total	38	11	(5)
	-----	-----	-----
Income Before Interest Charges	319	297	312
	-----	-----	-----
Interest Charges			
Long-term debt	84	96	69
Other	31	4	2
Amortization of debt discount and expense, less premium	7	8	5
Allowance for borrowed funds used during construction	(2)	(2)	(2)
	-----	-----	-----
Total	120	106	74
	-----	-----	-----
Net Income	199	191	238
Preferred Dividend Requirements	6	6	6
	-----	-----	-----
Earnings Applicable to Common Shares	\$ 193	\$ 185	\$ 232
	=====	=====	=====

See notes to Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
Dollars in millions

Balance at December 31	1999	1998
	-----	-----
ASSETS		
Utility plant - at original cost	\$4,483	\$4,903
Accumulated depreciation and decommissioning	(2,326)	(2,603)
	-----	-----
Utility plant - net	2,157	2,300
	-----	-----
Nuclear decommissioning trust	551	494
	-----	-----
Current assets		
Cash and temporary investments	337	284
Accounts receivable	192	199
Due from affiliates	152	110
Income taxes receivable	87	--
Inventories	61	77
Regulatory balancing accounts undercollected - net	--	9
Other	14	17
	-----	-----
Total current assets	843	696
	-----	-----
Loan to parent	422	--
Deferred taxes recoverable in rates	114	194
Regulatory assets	233	511
Deferred charges and other assets	46	62
	-----	-----
Total	\$4,366	\$4,257
	=====	=====

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
Dollars in millions

Balance at December 31	1999	1998
	-----	-----

CAPITALIZATION AND LIABILITIES

Capitalization

Common stock	\$ 857	\$ 857
Retained earnings	460	267
Accumulated other comprehensive income	(3)	--
	-----	-----
Total common equity	1,314	1,124
Preferred stock not subject to mandatory redemption	79	79
Preferred stock subject to mandatory redemption	25	25
Long-term debt	1,418	1,548
	-----	-----
Total capitalization	2,836	2,776

Current liabilities

Current portion of long-term debt	66	72
Accounts payable	159	165
Deferred income taxes	106	37
Dividends payable	2	102
Interest accrued	9	9
Regulatory balancing accounts overcollected - net	192	--
Other	142	148
	-----	-----
Total current liabilities	676	533

Customer advances for construction

Customer advances for construction	44	41
Deferred income taxes - net	327	397
Deferred investment tax credits	51	89
Deferred credits and other liabilities	432	421
	-----	-----
Total	\$4,366	\$4,257
	=====	=====

See notes to Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
STATEMENTS OF CONSOLIDATED CASH FLOWS

Dollars in millions

For the years ended December 31

	1999	1998	1997
	-----	-----	-----
Cash Flows from Operating Activities			
Net income	\$ 199	\$ 191	\$ 238
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and decommissioning	561	603	324
Application of plant sale proceeds to stranded costs	(303)	-	-
Allowance for equity funds used during construction	(5)	(5)	(5)
Deferred income taxes and investment tax credits	(72)	(132)	10
Application of balancing accounts to stranded costs	(66)	(86)	--
Non-cash rate reduction bond revenue	(42)	--	--
Other - net	57	(64)	21
Changes in working capital components			
Accounts receivable	(41)	30	(41)
Inventories	--	(12)	(2)
Other current assets	3	51	(4)
Interest and taxes accrued	(17)	39	(40)
Accounts payable and other current liabilities	(21)	(66)	(143)
Regulatory balancing accounts	267	(14)	23
	-----	-----	-----
Net cash provided by operating activities	520	535	381
	-----	-----	-----
Cash Flows from Investing Activities			
Net proceeds from sales of generating plants	466	--	--
Loan to parent	(422)	--	--
Utility construction expenditures	(245)	(227)	(197)
Contributions to decommissioning funds	(16)	(22)	(22)
Other - net	(8)	(28)	5
	-----	-----	-----
Net cash used by investing activities	(225)	(277)	(214)
	-----	-----	-----
Cash Flows from Financing Activities			
Dividends paid	(106)	(269)	(256)
Issuances of long-term debt	--	--	677
Repayment of long-term debt	(136)	(241)	(133)
	-----	-----	-----
Net cash provided (used) by financing activities	(242)	(510)	288
	-----	-----	-----
Net increase (decrease)	53	(252)	455
Cash and temporary investments, January 1	284	536	81
	-----	-----	-----

Cash and temporary investments, December 31	\$ 337	\$ 284	\$ 536
	=====	=====	=====

See notes to Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
STATEMENTS OF CONSOLIDATED CASH FLOWS (continued)

Dollars in millions

For the years ended December 31	1999	1998	1997
	-----	-----	-----

Supplemental Disclosure of Cash Flow Information
Cash paid during the year for:

Income tax payments, net of refunds	\$ 266	\$ 207	\$ 217
	=====	=====	=====
Interest payments, net of amounts capitalized	\$ 134	\$ 118	\$ 89
	=====	=====	=====

Supplemental Schedule of Non-Cash Transactions
Dividend to parent of intercompany receivable

	\$ --	\$ 100	\$ --
	=====	=====	=====
Property dividend to parent	\$ --	\$ 29	\$ --
	=====	=====	=====

See notes to Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
STATEMENTS OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 1999, 1998, 1997
(Dollars in millions)

	Comprehensive Income	Preferred Stock Not Subject to Mandatory Redemption	Common Stock	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 1996		\$ 79	\$ 857		\$ 546	\$ 1,482
Net income/comprehensive income	\$ 238				238	238
Special dividend to Enova Corporation					(70)	(70)
Preferred stock dividends declared					(6)	(6)
Common stock dividends declared					(178)	(178)
Balance at December 31, 1997		79	857		530	1,466
Net income/comprehensive income	191				191	191
Special dividends to Sempra Energy					(129)	(129)
Preferred dividends declared					(6)	(6)
Common stock dividends declared					(319)	(319)
Balance at December 31, 1998		79	857		267	1,203
Net income	199				199	199
Other comprehensive income						
Pension	(3)			\$ (3)		(3)
Comprehensive income	\$ 196					
Preferred dividends declared					(6)	(6)
Balance at December 31, 1999		\$ 79	\$ 857	\$ (3)	\$ 460	\$ 1,393

See notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS COMBINATION

On June 26, 1998, Enova Corporation (Enova), the parent company of San Diego Gas & Electric (SDG&E or the Company), and Pacific Enterprises (PE), parent company of Southern California Gas Company (SoCalGas), combined into a new company named Sempra Energy (Parent). As a result of the combination, (i) each outstanding share of common stock of Enova was converted into one share of common stock of Sempra Energy, (ii) each outstanding share of common stock of PE was converted into 1.5038 shares of common stock of Sempra Energy and (iii) the preferred stock and preference stock

of the combining companies and their subsidiaries remained outstanding.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of SDG&E and its sole subsidiary, SDG&E Funding LLC. The Company's policy is to consolidate subsidiaries that are more than 50 percent owned and controlled. All material intercompany accounts and transactions have been eliminated.

Effects of Regulation

The accounting policies of SDG&E conform with generally accepted accounting principles for regulated enterprises and reflect the policies of the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC).

SDG&E has been preparing its financial statements in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," under which a regulated utility may record a regulatory asset if it is probable that, through the ratemaking process, the utility will recover that asset from customers. Regulatory liabilities represent future reductions in rates for amounts due to customers. To the extent that portions of the utility operations were to be no longer subject to SFAS No. 71, or recovery was to be no longer probable as a result of changes in regulation or their competitive position, the related regulatory assets and liabilities would be written off. In addition, SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," affects utility plant and regulatory assets such that a loss must be recognized whenever a regulator excludes all or part of an asset's cost from rate base. As discussed in Note 12, California enacted a law restructuring the electric-utility industry. The law adopts the December 1995 CPUC policy decision, and allows California electric utilities the opportunity to recover existing utility plant and regulatory assets over a transition period that ends in 2001. In 1997, SDG&E ceased the application of SFAS No. 71 with respect to its electric-generation business. The application of SFAS No. 121 continues to be evaluated as industry restructuring progresses. Additional information concerning regulatory assets and liabilities is described below in "Revenues and Regulatory Balancing Accounts" and in Note 12.

Revenues and Regulatory Balancing Accounts

Revenues from utility customers consist of deliveries to customers and the changes in regulatory balancing accounts.

Prior to 1998, earnings fluctuations from changes in the costs of fuel oil, purchased energy and natural gas, and consumption levels for electricity and the majority of natural gas were eliminated by balancing accounts authorized by the CPUC. This is still the case for most natural gas operations. However, as a result of California's electric-restructuring law, overcollections recorded in SDG&E's Energy Cost Adjustment Clause and Electric Revenue Adjustment Mechanism balancing accounts were transferred to the Interim Transition Cost Balancing Account, which has been applied to transition cost recovery, and fluctuations in certain costs and consumption levels can now affect earnings from electric operations. Additional information on electric-industry restructuring is included in Note 12.

Regulatory Assets

Regulatory assets include unrecovered premium on early retirement of debt, post-retirement benefit costs, deferred income taxes recoverable in rates and other regulatory-related expenditures that the Company expects to recover in future rates. See Note 12 for additional information.

Inventories

Included in inventories at December 31, 1999, are \$50 million of utility materials and supplies (\$48 million in 1998), and \$11 million of natural gas and fuel oil (\$29 million in 1998). Materials and supplies are generally valued at the lower of average cost or market; fuel oil and natural gas are valued by the last-in first-out method.

Utility Plant

This primarily represents the buildings, equipment and other facilities used by SDG&E to provide natural gas and electric utility service. The cost of utility plant includes labor, materials, contract services and related items, and an allowance for funds used during construction. The cost of retired depreciable utility plant, plus removal costs minus salvage value, is charged to accumulated depreciation. Information regarding electric-industry restructuring and its effect on utility plant is included in Note 12. Utility plant balances by major functional categories at December 31, 1999, are: electric distribution \$2.5 billion, electric transmission \$0.7 billion, other electric \$0.4 billion and natural gas operations \$0.9 billion. The corresponding amounts at December 31, 1998, were essentially the same, except that other electric decreased by \$0.5 billion in 1999 in connection with electric industry restructuring, as described in Note 12. Accumulated depreciation and decommissioning of electric and natural gas utility plant in service at December 31, 1999, are \$1.8 billion and \$0.5 billion, respectively, and at December 31, 1998, were \$2.2 billion and \$0.4 billion, respectively. Depreciation expense is based on the straight-line method over the useful lives of the assets or a shorter period prescribed by the CPUC. The provisions for depreciation as a percentage of average depreciable utility plant (by major functional categories) in 1999, 1998, and 1997, respectively are: electric generation 8.70, 6.49, 5.60, electric distribution 4.69, 4.49, 4.39, electric transmission 3.50, 3.31, 3.28, other electric 8.21, 6.29, 6.02, and natural gas operations 3.83, 4.01, 4.03. The increases for electric generation reflect the accelerated recovery of generation facilities in 1999 and 1998 and the increase in depreciation rates resulting from the 1999 Cost of Service proceeding. The increase in 1999 for other electric is due to the increase in depreciation rates resulting from the 1999 Cost of Service proceeding. See Note 12 for additional discussion of generation facilities and industry restructuring.

Allowance for Funds Used During Construction (AFUDC)

The allowance represents the cost of funds used to finance the construction of utility plant and is added to the cost of utility plant. AFUDC also increases income, as an offset to interest charges shown in the Statements of Consolidated Income, although it is not a current source of cash.

Nuclear-Decommissioning Liability

Deferred credits and other liabilities at December 31, 1999, include \$165 million (\$146 million in 1998) of accumulated decommissioning costs associated with SDG&E's San Onofre Nuclear Generating Station (SONGS) Unit 1, which was permanently shut down in 1992. Additional information on SONGS Unit 1 decommissioning costs is included in Note 5. The corresponding liability for Units 2 and 3 is included in accumulated depreciation and amortization.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income." requires reporting of comprehensive income and its components (revenues, expenses, gains and losses) in any complete presentation of general-purpose financial statements. Comprehensive income describes all changes, except those resulting from investments by owners and distributions to owners, in the equity of a business enterprise from transactions and other events including, as applicable, minimum pension liability adjustments.

Use of Estimates in the Preparation of the Financial Statements

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with original maturities of three months or less, or investments that are readily convertible to cash.

Basis of Presentation

Certain prior-year amounts have been reclassified to conform to the

current year's presentation.

New Accounting Standard

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the effective date of this statement was deferred for one year. As amended, SFAS 133, which is effective for the company on January 1, 2001, requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position, measure those instruments at fair value and recognize changes in the fair value of derivatives in earnings in the period of change unless the derivative qualifies as an effective hedge that offsets certain exposures. The effect of this standard on the company's Consolidated Financial Statements has not yet been determined.

NOTE 3: SHORT-TERM BORROWINGS

At December 31, 1999, SDG&E had \$205 million of bank lines available to support commercial paper and variable-rate, long-term debt. The credit agreements expire at varying dates from 2000 through 2002 and bear interest at various rates based on market rates and the Company's credit rating. SDG&E's bank lines of credit were unused at both December 31, 1999, and 1998.

NOTE 4: LONG-TERM DEBT

(Dollars in millions)	December 31,	
	1999	1998
First Mortgage Bonds		
7.625% June 15, 2002	\$ 28	\$ 28
6.800% June 1, 2015	14	14
5.900% June 1, 2018	68	71
5.900% September 1, 2018	93	93
6.100% September 1, 2018	40	40
6.400% September 1, 2018	43	43
6.100% September 1, 2019	35	35
9.625% April 15, 2020	10	10
Variable rates September 1, 2020	58	58
5.850% June 1, 2021	60	60
8.500% April 1, 2022	10	10
5.420% December 1, 2027	45	45
6.400% December 1, 2027	75	75
Variable rates December 1, 2027	105	130
	684	712
Unsecured Bonds		
5.900% June 1, 2014	130	130
Variable % July 1, 2021	39	39
Variable % December 1, 2021	60	60
Variable % March 1, 2023	25	25
	254	254
Rate-reduction bonds	526	592
Capital leases	21	63
Total	1,485	1,621
Less:		
Current portion of long-term debt	66	72
Unamortized debt discount less premium	1	1
Total	\$1,418	\$1,548

Excluding capital leases, which are described in Note 11, maturities of long-term debt, including rate-reduction bonds, are \$66 million in 2000, \$66 million in 2001, \$94 million in 2002, \$66 million in 2003, \$66 million in 2004 and \$1,106 million thereafter. SDG&E has CPUC authorization to issue an additional \$138 million in long-term debt. Although holders of variable-rate bonds may elect to redeem them prior to scheduled maturity, for purposes of determining the maturities listed above, it is assumed the bonds will be held to maturity.

First-Mortgage Bonds

First-mortgage bonds are secured by a lien on substantially all of SDG&E's utility plant. SDG&E may issue additional first-mortgage bonds upon compliance with the provisions of their bond indentures, which permit, among other things, the issuance of an additional \$712 million of first-mortgage bonds as of December 31, 1999.

In 1999, SDG&E retired \$28 million of first-mortgage bonds prior to scheduled maturity.

Callable Bonds

At SDG&E's option, certain first-mortgage bonds may be called at a premium. SDG&E has \$287 million of variable-rate bonds with provisions that are callable at various dates within one year. Of the Company's remaining callable bonds, \$55 million are callable in the year 2000, \$204 million in the year 2002 and \$221 million in 2003.

Rate-Reduction Bonds

In December 1997, \$658 million of rate-reduction bonds were issued on behalf of SDG&E at an average interest rate of 6.26 percent. These bonds were issued to facilitate the 10-percent rate reduction mandated by California's electric-restructuring law. See Note 12 for additional information. These bonds are being repaid over 10 years by SDG&E's residential and small commercial customers via a charge on their electricity bills. These bonds are secured by the revenue streams collected from customers and are not secured by, or payable from, utility assets.

The sizes of the rate-reduction bond issuances were set so as to make the utilities neutral as to the 10-percent rate reduction, and were based on a four-year period to recover stranded costs. Because SDG&E recovered its stranded costs in only 18 months (due to the greater-than-anticipated plant-sale proceeds), its bond proceeds were greater than needed. Accordingly, SDG&E will return to its customers over \$400 million that it has collected or will collect from its customers. The timing of the return will differ from the timing of the collection, but the specific timing of the repayment and the interest rate thereon are the subject of a CPUC proceeding and are expected to be resolved in early 2000. This refund will not affect SDG&E's net income, except to the extent that the interest associated with the refund (12.63 percent if not reduced as a result of the CPUC proceeding) differs from the return earned by the Company on the funds. The bonds and their repayment schedule are not affected by this refund.

Unsecured Debt

Various long-term obligations totaling \$254 million are unsecured. Unsecured bonds totaling \$124 million have variable-interest-rate provisions.

Interest Rate Swaps

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 borrowings. At December 31, 1999, SDG&E had such an agreement, maturing in 2002, with underlying debt of \$45 million.

NOTE 5: FACILITIES UNDER JOINT OWNERSHIP

SONGS and the Southwest Powerlink transmission line are owned jointly with other utilities. The Company's interests at December 31, 1999, are:

(Dollars in millions) Project	SONGS	Southwest Powerlink
Percentage ownership	20	89
Utility plant in service	\$ 57	\$ 217
Accumulated depreciation and amortization	\$ 25	\$ 111
Construction work in progress	\$ 7	\$ 1

The Company's share of operating expenses is included in the Statements of Consolidated Income. Each participant in the project must provide its own financing. The amounts specified above for SONGS include nuclear production, transmission and other facilities. Certain substation equipment included in these amounts is wholly owned by the Company.

SONGS Decommissioning

Objectives, work scope and procedures for the future dismantling and decontamination of the SONGS units must meet the requirements of the Nuclear Regulatory Commission, the Environmental Protection Agency, the California Public Utilities Commission and other regulatory bodies.

The Company's share of decommissioning costs for the SONGS units is estimated to be \$432 million in today's dollars and is based on a cost study completed in 1998. Cost studies are performed and updated periodically by outside consultants. The recovery of decommissioning costs is allowed until the time that the costs are fully recovered.

The amount accrued each year is based on the amount allowed by regulators and is currently being collected in rates. This amount is considered sufficient to cover the Company's share of future decommissioning costs. Payments to the nuclear-decommissioning trusts are expected to continue until SONGS is decommissioned, which is not expected to occur before 2013. Unit 1, although permanently shut down in 1992, was scheduled to be decommissioned concurrently with Units 2 and 3. However, the Company and the other owner of Unit 1 received the required regulatory approvals to begin decommissioning Unit 1 in January 2000.

The amounts collected in rates are invested in externally managed trust funds. The securities held by the trust are considered available for sale and shown on the Consolidated Balance Sheets at market value. These values reflect unrealized gains of \$164 million and \$149 million at December 31, 1999, and 1998, respectively.

The Financial Accounting Standards Board is reviewing the accounting for liabilities related to closure and removal of long-lived assets, such as nuclear power plants, including the recognition, measurement and classification of such costs. The Board could require, among other things, that the Company's future balance sheets include a liability for the estimated decommissioning costs, and a related increase in the carrying value of the asset.

Additional information regarding SONGS is included in Notes 11 and 12.

NOTE 6: INCOME TAXES

The reconciliation of the statutory federal income tax rate to the effective income tax rate is as follows:

	1999	1998	1997
Statutory federal income tax rate	35.0%	35.0%	35.0%
Depreciation	5.2	1.3	6.8
State income taxes - net of federal income tax benefit	5.9	5.6	5.7
Tax credits	(2.1)	(1.7)	(1.3)
Charitable contribution of plant	(7.9)	-	-
Other - net	2.6	2.4	1.7
Effective income tax rate	38.7	42.6%	47.9%

Accumulated deferred income taxes at December 31 result from the following:

(Dollars in millions)	1999	1998
Deferred tax liabilities		
Differences in financial and tax bases of utility plant	\$ 382	\$ 440
Regulatory balancing accounts	150	74
Loss on reacquired debt	30	34
Other	70	71
Total deferred tax liabilities	632	619
Deferred tax assets		
Investment tax credits	61	63
Other	138	122
Total deferred tax assets	199	185
Net deferred income tax liability	433	434

The net liability is recorded on the consolidated balance sheet as follows:

(Dollars in millions)	1999	1998
Current liability(asset)	\$ 106	\$ 37
Non-current liability	327	397
Total	\$ 433	\$ 434

The components of income tax expense are as follows:

(Dollars in millions)	1999	1998	1997
Current			
Federal	\$ 90	\$ 150	\$ 164
State	39	41	44
Total current taxes	129	191	208
Deferred			
Federal	11	(30)	13
State	(9)	(16)	2
Total deferred taxes	2	(46)	15
Deferred investment tax credits - net	(5)	(3)	(4)
Total income tax expense	\$ 126	\$ 142	\$ 219

Federal and state income taxes are allocated between operating income and other income.

NOTE 7: EMPLOYEE BENEFIT PLANS

The information presented below describes the plans of the Company. In connection with the PE/Enova business combination numerous participants were transferred from the Company's plans to plans of related entities. In connection therewith, the company recorded a \$9 million special termination benefit in 1998.

Pension and Other Postretirement Benefits

The Company sponsors qualified and nonqualified pension plans and other postretirement benefit plans for its employees. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two years, and a statement of the funded status as of each year end:

(Dollars in millions)	Pension Benefits		Other Postretirement Benefits	
	1999	1998	1999	1998
Weighted-Average Assumptions as of December 31:				
Discount rate	7.75%	6.75%	7.75%	6.75%
Expected return on plan assets	8.00%	8.50%	4.00%	4.50%
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%
Cost trend of covered health-care charges	-	-	7.75%(1)	8.00%(1)
Change in Benefit Obligation:				
Net benefit obligation at January 1	\$ 494	\$ 605	\$ 48	\$ 43
Service cost	11	19	1	1
Interest cost	34	43	3	3
Plan Participants' contributions	-	-	2	-
Plan amendments	-	(3)	-	-
Actuarial (gain) loss	4	(17)	(4)	5
Transfer of liability (2)	(15)	(112)	-	-
Special termination benefits	-	9	-	-
Gross benefits paid	(52)	(50)	(5)	(4)
Net benefit obligation at December 31	476	494	45	48

Change in Plan Assets:				
Fair value of plan assets				
at January 1	587	699	17	14
Actual return on plan assets	178	103	-	1
Employer contributions	-	1	4	6
Plan Participants' contributions	-	-	2	-
Transfer of assets (2)	-	(166)	-	-
Gross benefits paid	(52)	(50)	(5)	(4)

Fair value of plan assets				
at December 31	713	587	18	17

Funded status at December 31	237	93	(27)	(31)
Unrecognized net actuarial				
(gain) loss	(317)	(196)	(2)	1
Unrecognized prior service cost	20	23	-	-

Net liability at December 31	\$ (60)	\$ (80)	\$ (29)	\$ (30)

(1) Decreasing to ultimate trend of 6.50% in 2004.

(2) To reflect transfer of plan assets and liability to Sempra Energy.

The following table provides the components of net periodic benefit cost (income) for the plans:

	Pension Benefits			Other Postretirement Benefits		
(Dollars in millions)	1999	1998	1997	1999	1998	1997

Service cost	\$ 11	\$ 19	\$ 18	\$ 1	\$ 1	\$ 1
Interest cost	34	43	40	3	3	3
Expected return on assets	(47)	(60)	(50)	-	(1)	-
Amortization of:						
Transition obligation	-	-	-	2	2	2
Prior service cost	3	3	3	-	-	-
Actuarial gain	(9)	(11)	(9)	-	-	-
Special termination benefit	-	9	-	-	-	-
Regulatory adjustment	-	-	-	-	-	(1)

Total net periodic benefit cost (income)	\$ (8)	\$ 3	\$ 2	\$ 6	\$ 5	\$ 5

The following table provides the amounts recognized on the SDG&E balance sheet at December 31.

AMENDMENT NO. 5 TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS

Exhibit 10.26

This Amendment is entered into as of the __26th day of __December, 1997, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 01171 (the "Trustee").

WHEREAS, in Section 2.12 of the Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between the Company and Trustee, the parties specifically reserve the right to amend the Agreement; and

WHEREAS, the San Diego Gas & Electric Company Nuclear Facilities Decommissioning Master Trust Committee has authorized the amendment of the Agreement and the California Public Utilities Commission filing and review process has been completed with no objections;

NOW, THEREFORE, the parties agree as follows:

1. The recitals set forth above are incorporated herein by this reference thereto.
2. The Agreement shall be amended by restating Section 2.01 (5) to read in its entirety:

Interim Disbursements. The estimated costs and schedule for decommissioning each of the Plants shall be reviewed periodically and updated when the revenue requirement for decommissioning is reviewed by the CPUC in the Company's general rate cases. One year prior to the time decommissioning of a Plant or Plants is estimated to begin, the Company shall apply for CPUC approval of the estimated cost and schedule for decommissioning each Plant. Upon the occurrence of changed circumstances, the Company may apply to the CPUC for amendments to the estimated cost and schedule for decommissioning each plant. Upon approval of the cost and schedule for decommissioning each Plant or Plants, the CPUC shall authorize Interim Disbursements from the applicable Fund to pay Decommissioning Costs. Interim Disbursements shall be limited to 90% of the forecast of Decommissioning Costs approved by the CPUC. Final payment from the applicable Fund for all Decommissioning costs shall be made pursuant to Section 2.01 (6).

Prior to the issuance of an Interim Disbursement order, the Trustee is authorized to pay up to 3 percent of the amount specified in paragraph 50.75 of Title 10 of the Code of Federal Regulations for decommissioning planning purposes upon receipt of a Disbursement Certificate or a Withdrawal Certificate meeting the requirements of Section 2.01 (4) (a)-(c).

4. Except as expressly amended hereby, the Agreement is hereby restated, confirmed, and ratified in all respects and shall remain in full force and effect.
5. Capitalized terms used herein and not otherwise defined shall have the definitions ascribed thereto in the agreement.

IN WITNESS WHEREOF, the Company, the California Public Utilities Commission, and the Trustee have set their Hands and seals to this Amendment to the Agreement as of _____, 1997.

SAN DIEGO GAS & ELECTRIC COMPANY

By: _____

Title: _____

Attest: _____

Title: _____

Accepted:

STATE STREET BANK AND TRUST COMPANY

By: -----

Title: -----

Attest: -----

Title: -----

Approved and Accepted:

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: -----

Title: -----

Attest: -----

Title: -----

AMENDMENT NO. 6 TO THE
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS

Exhibit 10.27

This amendment is entered into as of the ___1st_ day of
October, 1999, by and between San Diego Gas & Electric Company, a
corporation duly organized and existing under the laws of the State
of California, and having its principal office at 101 Ash Street, San
Diego, California 92101-3017 (the "Company"), and Mellon Bank, N.A.
having its principal office at One Mellon Bank Center, Pittsburgh,
Pennsylvania 15258.

WHEREAS, the Company wishes to appoint Mellon Bank, N.A. as
successor Trustee, and Mellon Bank, N.A. agrees to act as successor
Trustee subject to the terms of the Nuclear Facilities Qualified CPUC
Decommissioning Master Trust Agreement dated June 29, 1992 (the
"Agreement") between the Company and State Street Bank and Trust
Company, as amended;

WHEREAS, in Section 2.12 of the Agreement, the parties
specifically reserve the right to amend the Agreement; and

WHEREAS, the San Diego Gas & Electric Company Nuclear Facilities
Decommissioning Master Trust Committee has authorized the amendment
of the Agreement and the California Public Utilities Commission
filing and review process has been completed with no objections;

NOW, THEREFORE, the parties agree as follows:

1. Paragraph (b) of Section 1.04 is amended to read as follows:

"(b) appoints Mellon Bank, N.A. as Trustee of each of the
Funds."

2. The first sentence of the second paragraph of section 4.03
shall be restated to read as follows:

"The attached Exhibit C is effective from the date that
assets are transferred to Mellon Bank, N.A. as successor
Trustee."

3. The first and second sentences of the fourth paragraph of
section 4.03 shall be restated to read as follows:

"The attached Exhibit D is effective as of the date that
assets are transferred to Mellon Bank, N.A. as successor
Trustee."

4. The third sentence of the first paragraph of Section 4.07 is
amended to read as follows:

"The Trustee shall not be responsible for any losses
resulting from the deposit or maintenance of securities or
other property (in accordance with market practice, custom,
or regulation) with any recognized foreign clearing
facility, book-entry system, centralized custodial
depository, or similar organization."

5. Section 4.08 is amended to read as follows:

"The Company shall indemnify and hold harmless the Trustee
from all claims, liabilities, losses, damages and expenses,
including reasonable attorneys' fees and expenses, incurred
by the Trustee in connection with this Agreement, except as
a result of the Trustee's own bad faith, negligence, or
willful misconduct or for any breach of the Agreement that
results from the Trustee's own bad faith, negligence or
willful misconduct."

6. The fifth sentence of Section 5.02 shall be restated as
follows:

"Notification of the issuance of each such authorization
shall be given promptly to the Trustee by the Investment
Manager(s), and the Investment Manager(s) shall cause the
execution of such order to be confirmed in writing to the
Trustee by the broker or dealer. Such notification to the
Trustee from the Investment Manager shall be in writing, by
facsimile transmission, electronic transmission, or any
other method specifically agreed to in writing by the

Committee and the Trustee, provided the Trustee may, in its discretion, accept oral directions and instructions and may require confirmation in writing."

7. Paragraph 6.04 shall be deleted.

The following Section 6.08 shall be added:

"6.08 If the Trustee advances cash or securities for any purpose, or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Fund or under this Agreement shall be security therefor and the Trustee shall be entitled to collect from the Fund sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Fund held under this Agreement to the extent necessary to obtain reimbursement and to the extent that such reimbursement is not a violation of any provision of Section 468A of the Internal Revenue Code. To the extent the Trustee advances funds to the Fund for disbursements or to effect the settlement of purchase transactions, the Trustee to the extent permitted under Section 468A of the Internal Revenue Code shall be entitled to collect from the Fund with respect to domestic assets, (i) an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) or (ii) with respect to nondomestic assets, the rate applicable to the appropriate foreign market with respect to non-domestic assets."

9. The following paragraph shall be added to 7.02:

"Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash and, in such circumstances, the Company shall have sole responsibility for nonreceipt of payment (or late payment) by the counterparty."

10. The following 8.13 shall be added:

"8.13 Notwithstanding anything in this Agreement to the contrary contained herein, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Account resulting from any event beyond the reasonable control of the Trustee its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Account's property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement."

11. The following Section 8.14 shall be added:

"8.14 Each Party hereby represents and warrants to the other that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on its behalf has the requisite authority to bind that Party."

IN WITNESS WHEREOF, the Parties have set their Hands and seals to this Amendment to the Agreement as of the date and year first written above.

COMMISSION

By: _____
Name: _____
Title: _____

SAN DIEGO GAS &
ELECTRIC COMPANY

By: _____
Name: _____
Title: _____

MELLON BANK, N.A.

By: _____
Name: _____
Title: _____

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MELLON BANK, N.A.

MASTER TRUST SERVICES FEE SCHEDULE

FOR

QUALIFIED

SAN DIEGO GAS & ELECTRIC N.D.T.

Pro Forma

TRUST/CUSTODY CHARGES, PORTFOLIO ADMINISTRATION, PORTFOLIO ACTIVITY

Fixed Income:

SGE3 Brown Brothers	\$ 79,637,000	*1.50 bpts	\$ 11,946
SGE7 NISA	\$ 123,891,000	*1.50 bpts	18,584

Domestic Equity:

SGE5 SSGA R3000	154,102,000	*1.50 bpts	23,115
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International Equity:

SGE6 SSGA EAFE	44,824,000	*7.50 bpts	33,618
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\$ 87,303

PERFORMANCE MEASUREMENT

Customized Benchmarks \$ 750

OUT-OF-POCKET EXPENSES \$ 1,000

TRUST SERVICES \$ 2,000

TOTAL: \$ 91,053

Exhibit C

MELLON BANK, N.A.

MASTER TRUST SERVICES FEE SCHEDULE

FOR

SAN DIEGO GAS & ELECTRIC N.D.T.

TRUST/CUSTODY CHARGES, PORTFOLIO ADMINISTRATION, PORTFOLIO ACTIVITY

Domestic Asset Fee (Active):
1.5 basis points on Market Value of Assets

International Asset Fee (Active):
7.5 basis points on Market Value of Assets

PERFORMANCE MEASUREMENT

Includes Basic Return Calculation, Historical data download, Universe Comparison and Commingled Funds.

Customized Benchmarks/Universes: \$250 per benchmark
BARRA, Vestek, etc.: \$250 per portfolio
Attribution: \$500 per portfolio
Trading Cost Analysis: \$250 per portfolio
CMS BondEdge: Pass Through
TUCS: \$750 per portfolio/Minimum \$7,500
Look Through Analytics: \$500

ON-LINE SERVICES

Includes Terminal Charge, Communication software, CPU connect time.

Executive Workbench: Client Reporting
First User Free of Charge
Performance Report Generator
Analytics Report Generator
Accounting Report Generator
Investment Monitor

OUT-OF-POCKET EXPENSES

Wire Transfer: \$10 per transfer out charge
Courier Service: Pass Through
Telex Charges: Pass Through
Computer Processing: Pass Through
Staff Training: Included
Stamp Duty: Pass Through
Registration: Pass Through

OUT-OF-POCKET EXPENSES (Cont.)

We will pass through to the client any out-of-pocket expenses including, but not limited to, postage, courier expense, registration fees, stamp duties, telex charges, custom reporting or custom programming, internal/external tax, legal or consulting costs and proxy voting expenses.

TRUST SERVICES

Cash Sweep Fee:	12 basis points (Annually)
Tax Reporting:	\$125 per hour
Tax Return Preparation:	\$400 per filing/per year

BENEFIT PAYMENT SERVICES

Non-periodic	\$6.00 per check
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MISCELLANEOUS

- *All costs associated with the asset conversion will be waived.
 - *This fee assumes Mellon Trust is the sole foreign exchange dealer.
 - *This fee assumes that all investment portfolios are valued on a monthly basis.
 - *Mellon Trust bills clients on a monthly basis via a direct account deduction.
 - *Fee Schedule is guaranteed for five (5) years.
 - *We reserve the right to amend our fees if the service requirements change in a way that materially affects our responsibilities or costs. Support of other derivative investment strategies or special processing requirements (e.g. external cash sweep, etc.) may result in additional fees.
- (Note: Fees will not be amended prior to the notification and consent of the company.)

Exhibit D

MELLON BANK, N.A.

 INVESTMENT MANAGEMENT FEE SCHEDULE

 FOR

 SAN DIEGO GAS & ELECTRIC N.D.T.

50 Basis points for the first \$ 50,000,000
 40 Basis points for the next \$150,000,000
 30 Basis points thereafter

AMENDMENT NO. 3 TO THE Exhibit 10.31
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES NON-QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS

This Amendment is entered into as of the 26th day of December, 1997, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and State Street Bank and Trust Company, as Trustee, having its principal office at 1 Enterprise Drive, Quincy, Massachusetts 01171 (the "Trustee").

WHEREAS, in Section 2.12 of the Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between the Company and Trustee, the parties specifically reserve the right to amend the Agreement; and

WHEREAS, the San Diego Gas & Electric Company Nuclear Facilities Decommissioning Master Trust Committee has authorized the amendment of the Agreement and the California Public Utilities Commission filing and review process has been completed with no objections;

NOW, THEREFORE, the parties agree as follows:

1. The recitals set forth above are incorporated herein by this reference thereto.
2. The Agreement shall be amended by restating Section 2.01 (5) to read in its entirety:

Interim Disbursements. The estimated costs and schedule for decommissioning each of the Plants shall be reviewed periodically and updated when the revenue requirement for decommissioning is reviewed by the CPUC in the Company's general rate cases. One year prior to the time decommissioning of a Plant or Plants is estimated to begin, the Company shall apply for CPUC approval of the estimated cost and schedule for decommissioning each Plant. Upon the occurrence of changed circumstances, the Company may apply to the CPUC for amendments to the estimated cost and schedule for decommissioning each plant. Upon approval of the cost and schedule for decommissioning each Plant or Plants, the CPUC shall authorize Interim Disbursements from the applicable Fund to pay Decommissioning Costs. Interim Disbursements shall be limited to 90% of the forecast of Decommissioning Costs approved by the CPUC. Final payment from the applicable Fund for all Decommissioning costs shall be made pursuant to Section 2.01 (6).

Prior to the issuance of an Interim Disbursement order, the Trustee is authorized to pay up to 3 percent of the amount specified in paragraph 50.75 of Title 10 of the Code of Federal Regulations for decommissioning planning purposes upon receipt of a Disbursement Certificate or a Withdrawal Certificate meeting the requirements of Section 2.01 (4) (a)-(c).

3. Except as expressly amended hereby, the Agreement is hereby restated, confirmed, and ratified in all respects and shall remain in full force and effect.
4. Capitalized terms used herein and not otherwise defined shall have the definitions ascribed thereto in the agreement.

IN WITNESS WHEREOF, the Company, the California Public Utilities Commission, and the Trustee have set their Hands and seals to this Amendment to the Agreement as of _____, 1997.

SAN DIEGO GAS & ELECTRIC COMPANY

By: _____

Title: _____

Attest: _____

Title: -----

Accepted:
STATE STREET BANK AND TRUST COMPANY

By: -----

Title: -----

Attest: -----

Title: -----

Approved and Accepted:

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: -----

Title: -----

Attest: -----

Title: -----

ATTACHMENT A

Title 10 Code of Federal Regulations
Paragraph 50.82
Before July 29, 1996 Amendment

ATTACHMENT B

Title 10 Code of Federal Regulations
Paragraph 50.82
As Amended July 29, 1996

ATTACHMENT C

Resolution Amending the San Diego Gas & Electric
Company Nuclear Facilities Qualified and Non-Qualified
Decommissioning Master Trust Agreements

AMENDMENT NO. 4 TO THE Exhibit 10.32
SAN DIEGO GAS & ELECTRIC COMPANY
NUCLEAR FACILITIES NON-QUALIFIED CPUC
DECOMMISSIONING MASTER TRUST
AGREEMENT FOR SAN ONOFRE
NUCLEAR GENERATING STATIONS

This amendment is entered into as of the __1st__ day of __October__, 1999, by and between San Diego Gas & Electric Company, a corporation duly organized and existing under the laws of the State of California, and having its principal office at 101 Ash Street, San Diego, California 92101-3017 (the "Company"), and Mellon Bank, N.A., having its principal office at One Mellon Bank Center, Pittsburgh, Pennsylvania 15258.

WHEREAS, the Company wishes to appoint Mellon Bank, N.A. as successor Trustee, and Mellon Bank, N.A. agrees to act as successor Trustee subject to the terms of the Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement dated June 29, 1992 (the "Agreement") between the Company and State Street Bank and Trust Company, as amended;

WHEREAS, in Section 2.12 of the Agreement, the parties specifically reserve the right to amend the Agreement; and

WHEREAS, the San Diego Gas & Electric Company Nuclear Facilities Decommissioning Master Trust Committee has authorized the amendment of the Agreement and the California Public Utilities Commission filing and review process has been completed with no objections;

NOW, THEREFORE, the parties agree as follows:

1. Paragraph (c) of Section 1.04 is amended to read as follows:

"(c) appoints Mellon Bank, N.A. as Trustee of the Master Trust and of each of the Funds."

2. The first sentence of the second paragraph of section 4.03 shall be restated to read as follows:

"The attached Exhibit C is effective from the date that assets are transferred to Mellon Bank, N.A. as successor Trustee."

3. The first and second sentences of the fourth paragraph of section 4.03 shall be restated to read as follows:

"The attached Exhibit D is effective as of the date that assets are transferred to Mellon Bank, N.A. as successor Trustee."

4. The third sentence of the first paragraph of Section 4.07 is amended to read as follows:

"The Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign clearing facility, book-entry system, centralized custodial depository, or similar organization."

5. Section 4.08 is amended to read as follows:

"The Company shall indemnify and hold harmless the Trustee from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, incurred by the Trustee in connection with this Agreement, except as a result of the Trustee's own bad faith, negligence, or willful misconduct or for any breach of the Agreement that results from the Trustee's own bad faith, negligence or willful misconduct."

6. The fifth sentence of Section 5.02 shall be restated as follows:

"Notification of the issuance of each such authorization shall be given promptly to the Trustee by the Investment Manager(s), and the Investment Manager(s) shall cause the execution of such order to be confirmed in writing to the Trustee by the broker or dealer. Such notification to the Trustee from the Investment Manager shall be in writing, by facsimile transmission, electronic transmission, or any

other method specifically agreed to in writing by the Committee and the Trustee, provided the Trustee may, in its discretion, accept oral directions and instructions and may require confirmation in writing."

7. Paragraph 6.04 shall be deleted.

8. The following Section 6.08 shall be added:

"6.08 If the Trustee advances cash or securities for any purpose, or in the event that the Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Fund or under this Agreement shall be security therefor and the Trustee shall be entitled to collect from the Fund sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Fund held under this Agreement to the extent necessary to obtain reimbursement and to the extent that such reimbursement is not a violation of any provision of Section 468A of the Internal Revenue Service. To the extent the Trustee advances funds to the Fund for disbursements or to effect the settlement of purchase transactions, the Trustee shall be entitled to collect from the Fund with respect to domestic assets, (i) an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) or (ii) with respect to nondomestic assets, the rate applicable to the appropriate foreign market with respect to non-domestic assets."

9. The following paragraph shall be added to 7.02:

"Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash and, in such circumstances, the Company shall have sole responsibility for nonreceipt of payment (or late payment) by the counterparty."

10. The following 8.13 shall be added:

"8.13 Notwithstanding anything in this Agreement to the contrary contained herein, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Account resulting from any event beyond the reasonable control of the Trustee its agents or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Account's property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement."

11. The following Section 8.14 shall be added:

"8.14 Each Party hereby represents and warrants to the others that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on its behalf has the requisite authority to bind that Party."

IN WITNESS WHEREOF, the Parties have each set their Hands and Seals to this Amendment to the Agreement as of the date and year first written above.

By: _____
Name: _____
Title: _____

SAN DIEGO GAS &
ELECTRIC COMPANY

By: _____
Name: _____
Title: _____

MELLON BANK, N.A.

By: _____
Name: _____
Title: _____

MELLON BANK, N.A.

MASTER TRUST SERVICES FEE SCHEDULE

FOR

NON-QUALIFIED

SAN DIEGO GAS & ELECTRIC N.D.T.

Pro Forma

TRUST/CUSTODY CHARGES, PORTFOLIO ADMINISTRATION, PORTFOLIO ACTIVITY

Fixed Income:

SGE2 Brown Brothers	\$ 36,360,000	*1.50 bpts	\$ 5,454
---------------------	---------------	------------	----------

Domestic Equity:

SGE1 SSGA R3000	55,386,000	*1.50 bpts	8,308

			\$13,742

PERFORMANCE MEASUREMENT

Customized Benchmarks			\$ 250
-----------------------	--	--	--------

OUT-OF-POCKET EXPENSES			\$ 1,000
------------------------	--	--	----------

TRUST SERVICES	\$ 2,000
-----	-----
	TOTAL: \$ 16,992

Exhibit C

MELLON BANK, N.A.

 MASTER TRUST SERVICES FEE SCHEDULE

 FOR

 SAN DIEGO GAS & ELECTRIC N.D.T.

TRUST/CUSTODY CHARGES, PORTFOLIO ADMINISTRATION, PORTFOLIO ACTIVITY

Domestic Asset Fee (Active):
 1.5 basis points on Market Value of Assets

International Asset Fee (Active):
 7.5 basis points on Market Value of Assets

PERFORMANCE MEASUREMENT

Includes Basic Return Calculation, Historical data download, Universe Comparison and Commingled Funds.

Customized Benchmarks/Universes:	\$250 per benchmark
BARRA, Vestek, etc.:	\$250 per portfolio
Attribution:	\$500 per portfolio
Trading Cost Analysis:	\$250 per portfolio
CMS BondEdge:	Pass Through
TUCS:	\$750 per portfolio/Minimum \$7,500
Look Through Analytics:	\$500

ON-LINE SERVICES

Includes Terminal Charge, Communication software, CPU connect time.

Executive Workbench: Client Reporting	
First User	Free of Charge
	Performance Report Generator
	Analytics Report Generator
	Accounting Report Generator
	Investment Monitor

OUT-OF-POCKET EXPENSES

Wire Transfer:	\$10 per transfer out charge
Courier Service:	Pass Through
Telex Charges:	Pass Through
Computer Processing:	Pass Through
Staff Training:	Included
Stamp Duty:	Pass Through
Registration:	Pass Through

SAN DIEGO GAS & ELECTRIC N.D.T.
 FEE SCHEDULE
 PAGE 2 OF 2

OUT-OF-POCKET EXPENSES (Cont.)

We will pass through to the client any out-of-pocket expenses including, but not limited to, postage, courier expense, registration fees, stamp duties, telex charges, custom reporting or custom programming, internal/external tax, legal or consulting costs and proxy voting expenses.

TRUST SERVICES

Cash Sweep Fee:	12 basis points (Annually)
Tax Reporting:	\$125 per hour
Tax Return Preparation:	\$400 per filing/per year

BENEFIT PAYMENT SERVICES

Non-periodic	\$6.00 per check
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MISCELLANEOUS

- *All costs associated with the asset conversion will be waived.
 - *This fee assumes Mellon Trust is the sole foreign exchange dealer.
 - *This fee assumes that all investment portfolios are valued on a monthly basis.
 - *Mellon Trust bills clients on a monthly basis via a direct account deduction.
 - *Fee Schedule is guaranteed for five (5) years.
 - *We reserve the right to amend our fees if the service requirements change in a way that materially affects our responsibilities or costs. Support of other derivative investment strategies or special processing requirements (e.g. external cash sweep, etc.) may result in additional fees.
- (Note: Fees will not be amended prior to the notification and consent of the company.)

Exhibit D

MELLON BANK, N.A.

INVESTMENT MANAGEMENT FEE SCHEDULE

FOR

SAN DIEGO GAS & ELECTRIC N.D.T.

50 Basis points for the first \$ 50,000,000
40 Basis points for the next \$150,000,000
30 Basis points thereafter

SCHEDULE J

TRANSACTION BASED STORAGE SERVICE AGREEMENT

THIS TRANSACTION BASED STORAGE SERVICE AGREEMENT ("Agreement") is entered into as of the 4th day of October, 1999, by and between Southern California Gas Company ("Utility") and San Diego Gas & Electric Company ("Service User") and sets forth the terms and conditions under which Utility will provide storage services to Service User. This Agreement shall be attached to and incorporated as Schedule J to the Master Services Contract ("MSC") entered into by the parties.

SECTION 1 - STORAGE SERVICES

(a) For the Time Period for Service indicated below (the "Service Period"), Utility shall provide Service User with the storage services set forth below. This Agreement and the rights established herein shall be subject to the terms and conditions of Utility's Tariff Rate Schedule G-TBS and other applicable Tariff Rules hereto from time to time (including, without limitation, the definitions in Utility's Tariff Rule No. 1).

Storage Services	Maximum Quantity	Firm or As-Available	Time Period for Service ("Service Period")
Inventory	6,000,000 (Dth)	Firm,	4/1/00 to 3/31/01
Injection	28,037 (Dth/day)	Firm	4/1/00 to 10/31/00
Withdrawal	225,000, (Dth/day)	Firm	11/1/00 to 3/31/01

(b) All gas to be stored under this Agreement must be delivered by Service User to Utility system at the California border during the period from April 1, 2000 to October 31, 2000, subject, however, to Utility system constraints. Withdrawals must be completed by March 31, 2001 .

(c) If storage injection and withdrawal services are offered hereunder on an "as-available" basis, such services may be temporarily restricted in accordance with Utility Tariff Rule 23.C.1.(4), Utility Tariff Rule 30.F.2 and G, and G-IMB Special Conditions 3.

(d) Upon Service User's request for withdrawal, Utility will re-deliver all gas stored by Service User under this Agreement at the California border or other mutually agreed upon locations.

(e) Other: Service User has multiple cycling rights.

SECTION 2 - RESERVATION AND STORAGE CHARGES

Service User agrees to pay to Utility the following charges:

Storage Services	Quantity (Dth)	Unit Reservation Charges	Variable Storage Charges	
			In-Kind Fuel	O&M Injection or Withdrawal
Inventory	6,000,000 (Dth)	0.26 \$/(Dth)		
Injection	28,037 (Dth/day)	0.10545 \$/(Dth)	2.44%	0.0302\$/(Dth)
Withdrawal	225,000 (Dth/day)	13.295, \$/(Dth/day)		0.0234\$/(Dth)

Other charges: The inventory, injection, and withdrawal reservation charges are adjusted effective April 1, 1999 with their percentage change equal to the percentage change of the Coinsumer Price Index - All Urban Consumers ("CPI") for September as published by the Bureau of Labor Statistics of the United States Department of Labor in December. The percentage change is determined by subtracting the previous Septmeber CPI from the latest September CPI and dividing the result by the previous September CPI. Injection variable charges (in-kind and O&M) apply april through November. Withdrawal variable chargesm (O&M) apply November through March. Variable charges are set by the G-TBS tariff.

SECTION 3 - TRANSMISSION CHARGES

Service User agrees to pay Utility all applicable transportation charges incurred to move gas to Utility system, including the Wheeler Ridge access fee, if applicable.

Other transportation charges and conditions: All gas delivered for injection (less in-kind fuel) shall be assessed a transmission charge of \$0.567 per deatherm and all gas withdrawn shall receive a credit of \$0.567 per decatherm. The transmission charge and credit shall also apply to gas injected or withdrawn through imbalance trading or through a transfer with another storage account.

SECTION 4 - BILLING AND PAYMENT

(a) All reservation charges shall be billed by Utility and paid by Service User in equal monthly installments over the Service Period of this Agreement. Provided, however, that if Service User is not an end-use customer of Utility, 25% of the reservation charges shall be paid to Utility prior to the commencement of the Service Period and the balance shall be billed and paid in equal monthly installments over the Service Period. All other charges shall be billed and paid as the applicable services are provided.

(b) All bills shall be timely paid. In addition to any remedies provided under Utility's Tariff Rate Schedules and Tariff Rules, in the event that Service User fails to timely pay any amounts due hereunder and such amounts are not paid in full within seven (7) days following notice by Utility that such payment is in arrears, Utility may, without any additional notice, immediately suspend service hereunder until Service User pays all amounts due.

(c) In the event of a billing dispute, the bill must be paid in full by Service User pending resolution of the dispute. Such payment shall not be deemed a waiver of Service User's right to a refund. All bills shall be sent to Service User as specified below in Section 5 (a).

SECTION 5 - MISCELLANEOUS

(a) Notices - All notices and requests under this Agreement shall be deemed to have been duly given if sent by facsimile (fax) properly addressed, as with confirming original copy thereof being sent by postage prepaid, certified mail properly addressed, as following:

SERVICE USER

UTILITY

Operating Matters

Contact Name:

Lonnie Mansi

Contact Title:

Natural Gas Scheduler

Fax No.: (619) 650-6192

Telephone: (619) 650-6169

Contact Name:

Gas Transactions Hotline

Contact Title:

Gas Transactions & Operations

Fax No.: (213) 244-8281

Telephone: (213) 244-3900

Billing Matters

Contact Name:

Mike G. Strong

Contact Title:

Manger, Entergy Restructuring
& Entergy Accounting

Fax No.: (619) 650-6192

Telephone: (619) 650-6154

Contact Name:

Susana Santa Maria

Contact Title:

Billing Analyst

Fax No.: (213) 244-4337

Telephone: (213) 244-8449

Contract Matters

Contact Name:

Carl Funke

Contact Title:

Sr. Energy Administrator

Fax No.: (619) 650-6170

Telephone: (619) 650-6192

Contact Name:

GWOON Tom

Contact Title:

Storage Products Manager

Fax No.: (213) 244-3692

Telephone: (213) 244-8645

Either party may change its designation set forth above by giving the other party at least seven (7) days prior written notice.

(b) Governing Law - This Agreement shall be construed in accordance with the laws of the State of California and the orders, rules and regulations of the Public Utilities Commission of the State of California in effect from time to time.

(c) Credit Worthiness - From time to time, as is deemed necessary, Utility may request that Service User furnish Utility with all relevant information or data to establish Service User's credit worthiness, including, without limitation, financial statements of Service User which are audited or otherwise attested to Utility's satisfaction. Following review of such information, Utility may require that Service User supply additional assurance as may be necessary to establish Service User's ongoing financial ability to perform under this Agreement during the Term,

including, without limitation, contractual guarantees or financial instruments such as letters of credit.

(d) Limited Storage Liability - Utility shall not be responsible for any loss of gas in storage, including, without limitation, losses due to the inherent qualities of gas (including leakage and migration) or due to physical or legal inability to withdraw gas from storage, unless such loss is caused by failure of Utility to exercise the ordinary care and diligence required by law. In the event of any such loss, the portion of such loss which is attributable to Service User shall be determined based on Service User's pro rata share of the total recoverable working gas inventory in Utility's storage facilities at the time of the loss.

(e) Incorporated Provisions - The provisions of Section 6 of the MSC are incorporated by reference herein as if set forth in full herein, except to the extent such Section 6 is superseded by Utility's Tariff Rule 4.

IN WITNESS WHEREOF, the authorized representatives of the parties have executed two (2) duplicate original copies of this Agreement as of the date first written above.

SAN DIEGO GAS & ELECTRIC

SOUTHERN CALIFORNIA GAS COMPANY

By

By

Title:

Title:

EXHIBIT 12.1
SAN DIEGO GAS & ELECTRIC COMPANY
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(Dollars in millions)

	1995	1996	1997	1998	1999

Fixed Charges and Preferred Stock Dividends:					
Interest:					
Long-Term Debt	\$ 82	\$ 76	\$ 69	\$ 55	\$ 49
Rate Reduction Bonds	--	--	--	41	35
Short-Term Debt & Other	18	13	14	14	40
Amortization of Debt Discount and Expense, Less Premium	5	5	5	8	7
Interest Portion of Annual Rentals	10	8	10	7	5

Total Fixed Charges	115	102	98	125	136

Preferred Dividend Requirements	8	6	6	6	6
Ratio of Income Before Tax to Net Income	1.78991	1.88864	1.91993	1.73993	1.63317

Preferred Dividends for Purpose of Ratio	14	13	13	11	10

Total Fixed Charges and Preferred Stock Dividends For Purpose of Ratio	\$129	\$115	\$111	\$136	\$146
	=====				
Earnings:					
Net Income (before preferred dividend requirements)	\$219	\$222	\$238	\$191	\$199
Add:					
Fixed charges (from above)	115	102	98	125	136
Less: Fixed charges capitalized	2	1	2	1	1
Taxes on Income	173	198	219	141	126

Total Earnings for Purpose of Ratio	\$505	\$521	\$553	\$456	\$460
	=====				
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	3.92	4.54	5.00	3.36	3.15
	=====				

SAN DIEGO GAS & ELECTRIC COMPANY
Schedule of Subsidiaries at December 31, 1999

Subsidiary	State of Incorporation
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SDG&E Funding LLC	Delaware

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-45599, 33-52834, and 33-49837 of San Diego Gas & Electric Company on Forms S-3 of our report dated February 4, 2000, appearing in this Annual Report on Form 10-K of San Diego Gas & Electric Company for the year ended December 31, 1999.

/s/ DELOITTE & TOUCHE LLP

San Diego, California
March 28, 2000

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM THE CONDENSED STATEMENT OF CONSOLIDATED INCOME,
BALANCE SHEET AND CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY
BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000086521

SAN DIEGO GAS & ELECTRIC COMPANY

1,000,000

YEAR	DEC-31-1999	DEC-31-1999	PER-BOOK
	2,157		
	559		
	843		
	385		
		422	
		4,366	
			857
	0		
	460		
1,314			
	25		
			79
	1,397		
	0		
	0		
	0		
	66		
	0		
	21		
			0
1,464			
4,366			
	2,207		
		102	
	1,824		
	1,926		
	281		
		38	
319			
	120		
			199
	6		
193			
	0		
	84		
	520		
			0
			0