AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 28, 1995

REGISTRATION NO. 033-57007

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SDO PARENT CO., INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA	6719	33-0643023
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

101 ASH STREET
SAN DIEGO, CALIFORNIA 92101
(619) 696-2000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES),

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N. A. PETERSON
101 ASH STREET
SAN DIEGO, CALIFORNIA 92101
(619) 696-2000

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

IT IS REQUESTED THAT COPIES OF COMMUNICATIONS BE SENT TO:

DAVID R. SNYDER
PILLSBURY MADISON & SUTRO
101 W. BROADWAY, SUITE 1800
SAN DIEGO, CALIFORNIA 92101
(619) 544-3369

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [_]

THIS REGISTRATION STATEMENT SHALL HEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH THE PROVISIONS OF SECTION 8(A) OF THE SECURITIES ACT OF 1933.

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SDO PARENT CO., INC.

CROSS-REFERENCE SHEET
(Pursuant to Item 501(b) of Regulation S-K)

FORM S-4 ITEM NO.	CAPTION	LOCATION IN PROXY STATEMENT PROSPECTUS
A.	INFORMATION ABOUT THE TRANSACTION	
1.	Forepart of Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover Page
2.	Inside Front and Outside Back Cover Pages of Prospectus	Available Information; Incorporation of Certain Documents by Reference; Table of Contents
3.	Risk Factors, Ratio of Earnings to Fixed Charges and Other Information	Summary of Proxy Statement; Item No. 2
4.	Terms of the Transaction	Summary of Proxy Statement; Item No. 2
5.	Pro Forma Financial Information	Item No. 2
6.	Material Contacts with the Company Being Acquired	*
7.	Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters	*
8.	Interests of Named Experts and Counsel	*
9.	Disclosure of Commission Position on Indemnification for Securities Act Liabilities	*
B.	INFORMATION ABOUT THE REGISTRANT	
10.	Information With Respect to S-3 Registrants	Incorporation of Certain Documents by Reference; Summary of Proxy Statement
11.	Incorporation of Certain Information by Reference	Incorporation of Certain Documents by Reference
12.	Information With Respect to S-2 or S-3 Registrants	*
13.	Incorporation of Certain Information by Reference	*
14.	Information With Respect to Registrants Other Than S-2 or S-3 Registrants	*
C.	INFORMATION ABOUT THE COMPANY BEING ACQUIRED	
15.	Information With Respect to S-3 Companies	Incorporation of Certain Documents by Reference; Summary of Proxy Statement
16.	Information With Respect to S-2 or S-3 Companies	*
17.	Information With Respect to Companies Other Than S-3 or S-2 Companies	*

FORM S-4 ITEM NO.	CAPTION	LOCATION IN PROXY STATEMENT PROSPECTUS
D.	VOTING AND MANAGEMENT INFORMATION	
18.	Information if Proxies, Consents or Authorizations are to be Solicited.....	Notice to Shareholders; Summary Information; General Information; Proxy Solicitations; Item No. 1--Election of Directors; Item No. 2--Rights of Dissenting Shareholders; Item No. 2--Required Vote; Item No. 3--Company Recommendation; Incorporation of Certain Documents by Reference
19.	Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer.....	*

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* Not Applicable.

SAN DIEGO GAS & ELECTRIC COMPANY

Notice of Annual Meeting of Shareholders
and
Proxy Statement and Prospectus

ANNUAL MEETING
TUESDAY, APRIL 25, 1995

SAN DIEGO GAS & ELECTRIC COMPANY

DEAR SHAREHOLDER:

You are invited to attend the 1995 Annual Meeting of San Diego Gas & Electric Company Shareholders, to be held at 11:00 a.m. on Tuesday, April 25, 1995, at the California Center for the Arts, Escondido, 340 North Escondido Boulevard, Escondido, California (a map is included with the enclosed Notice of Meeting and Proxy Statement and Prospectus).

As is our custom, refreshments will be served before the Annual Meeting.

During the Annual Meeting, SDG&E's business will be reviewed. In addition, there will be an important decision regarding the structure of the company. The shareholders will be asked to consider and vote upon a proposal to implement a holding company structure for SDG&E. This proposal, and the other matters to be voted upon at the Annual Meeting, are described in the enclosed Proxy Statement and Prospectus. A summary of the Annual Meeting will be included in the Spring Investors Report, which will be mailed to you in May.

Whether or not you plan to attend the Annual Meeting, please fill out, sign and return your proxy card right away. Your vote is very important.

Sincerely yours,

Thomas A. Page
Chairman of the Board, President
and Chief Executive Officer

MAP AND DIRECTIONS TO 1995 ANNUAL MEETING

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

SAN DIEGO GAS & ELECTRIC COMPANY

P.O. Box 1831, 101 Ash Street

San Diego, California 92112-4150

Tuesday, April 25, 1995

The Annual Meeting of Shareholders of San Diego Gas & Electric Company will be held on Tuesday, April 25, 1995, at 11:00 a.m. at the California Center for the Arts, Escondido, 340 North Escondido Boulevard, Escondido, California, to consider and act upon:

1. The election of ten persons as Directors of SDG&E--the nominees are Richard C. Atkinson, Ann Burr, Richard A. Collato, Daniel W. Derbes, Catherine T. Fitzgerald, Robert H. Goldsmith, William D. Jones, Ralph R. Ocampo, Thomas A. Page and Thomas C. Stickel;

2. A proposal to approve and implement a holding company structure for SDG&E and a related agreement of merger which, if approved, will involve (i) formation of a holding company, SDO Parent Co., Inc. (name subject to change), (ii) holders of SDG&E Common Stock having their shares converted into shares of common stock of the holding company, (iii) SDG&E becoming a subsidiary of the holding company, and (iv) consummation of related activities to complete the transition to a holding company structure;

3. A proposal to amend, restate and extend the 1986 Long-Term Incentive Plan;

4. A shareholders' proposal regarding criteria for incentive compensation; and

5. Such other business as may properly come before the Annual Meeting.

The close of business on March 1, 1995 has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

San Diego, California
March 10, 1995

By order of the Board of Directors
N. A. Peterson
Senior Vice President,
General Counsel and Secretary

YOUR VOTE IS IMPORTANT! Please sign and return your enclosed proxy promptly, even if you expect to attend the Annual Meeting. A business reply envelope is enclosed for your convenience in returning the proxy. It requires no postage if mailed within the United States. Ample free parking will be available at the California Center for the Arts, Escondido.

SAN DIEGO GAS & ELECTRIC COMPANY
SDO PARENT CO., INC.
P.O. BOX 1831, 101 ASH STREET
SAN DIEGO, CALIFORNIA 92112-4150

ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT AND PROSPECTUS

This Proxy Statement and Prospectus is being furnished to shareholders (the "Shareholders") of San Diego Gas & Electric Company, a California corporation ("SDG&E" or the "Company"), in connection with the solicitation of proxies by the SDG&E Board of Directors (the "Board of Directors"). The proxies will be voted at the Annual Meeting of Shareholders to be held at 11:00 a.m. on Tuesday, April 25, 1995, at the California Center for the Arts, Escondido, 340 North Escondido Boulevard, Escondido, California, and at any adjournment or postponement thereof (the "Annual Meeting"), for the purposes listed in the preceding Notice of Annual Meeting.

At the Annual Meeting, the Shareholders will be asked to approve, among other things, the implementation of a holding company structure for SDG&E and a related agreement of merger (the "Merger Agreement") among SDG&E, SDO Parent Co., Inc., a California corporation formed by SDG&E ("ParentCo"), and San Diego Merger Company, a California corporation formed by ParentCo ("MergeCo"). At the time of the Merger (defined below), ParentCo will be a wholly owned subsidiary of SDG&E and MergeCo will be a wholly owned subsidiary of ParentCo. Pursuant to the Merger Agreement, MergeCo will merge with and into SDG&E (the "Merger") and each outstanding share of the common stock of SDG&E, without par value ("SDG&E Common Stock"), will be automatically converted into one share of the common stock of ParentCo, without par value ("ParentCo Common Stock"). As a result, SDG&E will become a subsidiary of ParentCo and the holders of SDG&E Common Stock will become holders of ParentCo Common Stock. The outstanding shares of SDG&E's cumulative preferred stock, $20 par value per share ("SDG&E Cumulative Preferred Stock"), and SDG&E's preference stock (cumulative), without par value ("SDG&E Preference Stock (Cumulative)"), will be unchanged and will continue to be outstanding shares of SDG&E. See "Item No. 2--Formation of a Holding Company Structure" under the heading "Plan of Implementation." The name "SDO Parent Co., Inc." is subject to change at the discretion of the Board of Directors and without further action by the Shareholders prior to consummation of the Merger.

This Proxy Statement and Prospectus also serves as the Prospectus for ParentCo under the Securities Act of 1933 with respect to the issuance of up to 116,541,000 shares of ParentCo Common Stock in connection with the Merger. Further information concerning the stock offered hereby is contained in "Item No. 2--Formation of a Holding Company Structure" under the heading "Articles of Incorporation and Bylaws of ParentCo."

The approximate date of mailing of this Proxy Statement and Prospectus is March 10, 1995.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROXY STATEMENT AND PROSPECTUS IS MARCH 1, 1995.

AVAILABLE INFORMATION

This Proxy Statement is also a Prospectus delivered in compliance with the Securities Act of 1933, as amended (the "Securities Act"). A registration statement under the Securities Act has been filed with the Securities and Exchange Commission (the "SEC"), Washington, D.C., with respect to the securities offered in the Prospectus (the "Registration Statement"). As permitted by the rules and regulations of the SEC, this Proxy Statement and Prospectus omits certain information contained in the Registration Statement. For further information pertaining to the securities being offered, reference is made to the Registration Statement, including exhibits filed as a part thereof.

SDG&E is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance with the Exchange Act, files reports, proxy statements and other information with the SEC. These reports, proxy statements and other information, as well as the Registration Statement, can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices in Chicago (Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511) and in New York (Seven World Trade Center, 13th Floor, New York, New York 10048), and copies of such material can be obtained from the public reference section of the SEC at prescribed rates by writing to the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. SDG&E Common Stock is listed on the New York Stock Exchange (the "NYSE") and on the Pacific Stock Exchange (the "PSE"). Reports, proxy material and other information concerning SDG&E may also be inspected at the offices of the NYSE and the PSE.

ParentCo was formed to effectuate the transactions described under "Item No. 2--Formation of a Holding Company Structure" and has not previously been subject to the requirements of the Exchange Act, and there is currently no public market for its stock. However, if the transactions described herein are approved and consummated, ParentCo will become subject to the same information, reporting and proxy statement requirements under the Exchange Act as currently apply to SDG&E, and such information will be available for inspection and copying at the offices of the SEC set forth above. ParentCo has applied to have ParentCo Common Stock listed on the NYSE and the PSE as of (or promptly following) the effective date of the Merger described under "Item No. 2--Formation of a Holding Company Structure," and if such applications are accepted Exchange Act reports, proxy statements and other information concerning ParentCo will be available for inspection and copying at such exchanges.

No person is authorized to give any information or to make any representations with respect to the matters described in this Proxy Statement and Prospectus other than those contained herein or in the documents incorporated herein by reference. Any information or representations with respect to such matters not contained herein or therein must not be relied upon as having been authorized by SDG&E or ParentCo.

This Proxy Statement and Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities (i) other than the registered securities to which it relates or (ii) in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Proxy Statement and Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of SDG&E or ParentCo since the date hereof or that the information in this Proxy Statement and Prospectus or in the documents incorporated by reference herein is correct as of any time subsequent to the dates hereof and thereof, respectively.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This Proxy Statement and Prospectus incorporates documents by reference which are not presented herein or delivered herewith. These documents are available upon request from the Office of the Secretary, San Diego Gas & Electric Company, P.O. Box 1831, San Diego, California 92112-4150 (telephone: in California, (800) 826-5942; and from elsewhere, (800) 243-5454). In order to ensure timely delivery of the documents, any request should be made by April 18, 1995.

The following document filed by SDG&E with the SEC is incorporated in this Proxy Statement and Prospectus by reference:

SDG&E's Annual Report on Form 10-K for the year ended December 31, 1994.

All documents filed by SDG&E pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Proxy Statement and Prospectus and prior to the Annual Meeting shall be deemed to be incorporated by reference in this Proxy Statement and Prospectus and to be a part of this Proxy Statement and Prospectus from the date of filing of such documents. Any statement contained herein or in a document all or a portion of which is incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement and Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Proxy Statement and Prospectus.

Upon written or oral request, a copy of any and all of the information that has been incorporated by reference in this Proxy Statement and Prospectus will be provided without charge to each person, including any beneficial owner, to whom this Proxy Statement and Prospectus is delivered. This will not include exhibits to the information unless the exhibits are specifically incorporated by reference in the information. Requests for copies should be made to the Office of the Secretary of SDG&E at the address and telephone numbers set forth above.

TABLE OF CONTENTS

SUMMARY OF PROXY STATEMENT

The following summary of the matters to be voted on at the Annual Meeting of Shareholders is qualified in its entirety by reference to the more detailed information set forth elsewhere herein, including the exhibits hereto and the documents incorporated herein by reference.

ITEM NO. 1--ELECTION OF DIRECTORS

Ten persons have been nominated for election as Directors of SDG&E. Each of the nominees is currently serving as a Director of SDG&E (as well as a Director of ParentCo). If the proposed formation of a holding company structure for SDG&E described below is approved and implemented, each of the Directors of SDG&E will also be ratified as a Director of ParentCo.

ITEM NO. 2--FORMATION OF A HOLDING COMPANY STRUCTURE

SDG&E

SDG&E is an operating public utility primarily engaged in the business of providing (i) electric service to customers in San Diego County and the southern portion of Orange County and (ii) gas to customers in San Diego County. SDG&E's principal executive offices are located at 101 Ash Street, San Diego, California 92101 (telephone number: (619) 696-2000) (mailing address: P.O. Box 1831, San Diego, California 92112-4150).

PARENTCO

ParentCo, the proposed holding company for SDG&E, was organized by SDG&E for the purpose of becoming the new parent holding company. Its principal executive offices are at the same location as SDG&E's offices referred to above (it also shares the same telephone number and mailing address).

REASONS FOR THE RESTRUCTURING

The SDG&E Board of Directors considers it to be in the best interests of SDG&E and its Shareholders to change the corporate structure of SDG&E and its subsidiaries. The objective of such a restructuring is to have SDG&E and its direct subsidiaries become separate, directly-owned subsidiaries of a new parent company (ParentCo), with the present holders of SDG&E Common Stock becoming holders of ParentCo Common Stock. The Board of Directors believes the proposed restructuring will provide the means for a more clearly defined separation of utility and non-utility operations and permit greater financial and organizational flexibility to meet the changing operational, regulatory and economic environment for utilities.

The proposed restructuring will lead to a change for holders of SDG&E Common Stock in the nature of their investment: from shares of stock in a regulated utility with some

diversified operations in separate subsidiaries to shares of stock in a holding company which is not directly regulated in the same manner as a utility. SDG&E will constitute the predominant part of ParentCo's earning power and assets for the foreseeable future. However, both regulation of utilities and the markets which SDG&E has traditionally served are changing. As facets of the traditional utility business which were once regulated, such as electric generation, become less regulated and more competitive, the energy options for customers, particularly large industrial users of energy, are expanding.

Management believes that the corporate separation afforded by a holding company structure will permit the holding company, ParentCo, to respond effectively to increasing competition in the energy business. Where a facet of the business becomes unregulated, that facet can be separated from the core utility business of SDG&E, although remaining under the common ownership of ParentCo. Separation of such facets of the energy business, as well as the diversified operations of SDG&E's present non-utility subsidiaries, from the core utility business of SDG&E will help to protect SDG&E's stability as viewed by sources of financing. Such stability is vital to avoid increased capital costs for SDG&E, and thus higher utility rates. Accordingly, the holding company structure will support SDG&E's ability to continue efficiently meeting its customers' needs while permitting ParentCo to respond to a changing business environment. See "Item No. 2--Formation of a Holding Company Structure--Reasons for the Restructuring."

ACCOMPLISHING THE RESTRUCTURING

Pursuant to the Merger Agreement in the form attached to this Proxy Statement and Prospectus as Exhibit A, a subsidiary of ParentCo (MergeCo) will be merged with and into SDG&E. In the Merger, the outstanding shares of SDG&E Common Stock will be converted into new shares of ParentCo Common Stock on a share-for-share basis, and SDG&E will become a subsidiary of ParentCo. SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) will remain outstanding, and be unaffected by the Merger.

If the actions contemplated by the Merger Agreement are approved by the Shareholders, it is contemplated that the Merger will become effective as soon as practicable following receipt of all required regulatory approvals in respect of the Merger and related restructuring, including approval by the California Public Utilities Commission (the "CPUC"). An application for such approval by the CPUC was filed by SDG&E on November 7, 1994.

Following the Merger, SDG&E's interest in its direct subsidiaries will be transferred to ParentCo (the transfer and the Merger are sometimes referred to as the "restructuring"). The restructuring will be accounted for in a manner similar to a pooling of interests.

If the restructuring is completed, it will not be necessary to exchange certificates representing SDG&E Common Stock for certificates representing ParentCo Common Stock. Rather, certificates for SDG&E Common Stock will automatically be deemed to represent certificates for a like number of shares of ParentCo Common Stock.

Application has been made to list ParentCo Common Stock on the New York Stock Exchange (the "NYSE") and on the Pacific Stock Exchange. In the absence of such listing on the NYSE, the Board of Directors may elect not to consummate the transactions contemplated by the Merger Agreement (including the Merger).

REGULATORY APPROVALS

SDG&E must obtain certain authorizations from the CPUC, the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission to implement various aspects of the restructuring. See "Item No. 2--Formation of a Holding Company Structure--Regulation."

DIVIDEND POLICY

It is expected that ParentCo initially will make quarterly dividend payments on ParentCo Common Stock equal to the rate currently paid by SDG&E on SDG&E Common Stock and on approximately the same schedule of dates as that now followed by SDG&E. Future dividend payments initially will depend primarily on the earnings, financial condition and capital requirements of SDG&E. See "Item No. 2--Formation of a Holding Company Structure--Dividend Policy."

FEDERAL INCOME TAX CONSEQUENCES

The proposed restructuring should not affect the position of present SDG&E Shareholders for federal income tax purposes. See "Item No. 2--Formation of a Holding Company Structure--Federal Income Tax Consequences of the Merger."

VOTE REQUIRED TO APPROVE THE RESTRUCTURING

Shareholder approval of the restructuring will require the favorable vote of:

1. A majority of the outstanding shares of SDG&E Common Stock;

2. A majority of the outstanding shares of SDG&E Common Stock and SDG&E Cumulative Preferred Stock, voting together, with each share of SDG&E Common Stock having one vote and each share of SDG&E Cumulative Preferred Stock having two votes; and

3. Two-thirds of the outstanding shares of SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative), voting together, with each share having one vote. See "Item No. 2--Formation of a Holding Company Structure--Required Vote."

SDG&E's Directors and executive officers and their affiliates own less than one percent (1%) of the voting securities of SDG&E. After the restructuring, they will continue to own less than one percent (1%) of the voting securities of ParentCo.

RIGHTS OF DISSENTING SHAREHOLDERS

Holders of SDG&E Cumulative Preferred Stock, 4.60% Series, upon compliance with certain statutory requirements, will be entitled to receive payment of the fair market value of their shares if the Merger is completed. Holders of SDG&E Common Stock and holders of SDG&E Cumulative Preferred Stock other than the 4.60% Series who comply with the

statutory requirements also may be entitled to receive payment of the fair market value of their shares if the Merger is completed; however, they will not be so entitled unless (i) five percent (5%) or more of the shares of their class (with SDG&E Common Stock, as one class, and SDG&E Cumulative Preferred Stock other than the 4.60% Series, as another class) demand payment or (ii) their shares are restricted as to transfer. Holders of SDG&E Preference Stock (Cumulative) have no statutory right to dissent and receive payment for their shares in connection with the Merger. See "Item No. 2--Formation of a Holding Company Structure--Rights of Dissenting Shareholders."

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information with respect to the Company. Such financial information is derived from, and qualified by reference to, the financial statements contained in certain documents incorporated herein by reference.

RESULTS OF OPERATIONS(1)

	FOR THE YEAR ENDED DECEMBER 31,				
	1994(2)	1993	1992	1991	1990
	(MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)				
OPERATING REVENUES					
Electric	$ 1,510.3	$ 1,514.6	$ 1,447.1	$ 1,357.5	$ 1,356.4
Gas	346.2	346.7	337.0	338.2	355.1
Diversified operations	125.5	118.8	86.8	93.3	60.4
Total	1,982.0	1,980.1	1,870.9	1,789.0	1,771.9
Operating income	321.9	293.7	296.3	315.5	314.0
Net income (before preferred dividend requirements)	143.5	218.7	210.7	208.1	207.8
Earnings applicable to common shares	135.8	210.2	201.1	197.5	197.0
Earnings per common share	1.17	1.81	1.77	1.76	1.76
Dividends declared per common share	1.52	1.48	1.44	1.3875	1.35

OTHER FINANCIAL INFORMATION(1)

	AS OF DECEMBER 31,				
	1994	1993	1992	1991	1990
	(MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)				
Total assets	$ 4,642.5	$ 4,702.2	$ 4,494.6	$ 4,046.7	$ 3,945.2
Long-term debt and preferred stock subject to mandatory redemption (excludes current portion)(3)	1,480.2	1,525.0	1,651.9	1,331.2	1,337.1
Common shareholders' equity	1,474.4	1,516.2	1,441.4	1,350.0	1,295.6
Book value per common share	12.65	13.01	12.53	12.00	11.58

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(1) Information presented reflects consolidated information for SDG&E. Please refer to "Item No. 2--Formation of a Holding Company Structure--Pro Forma Financial Effects" for a discussion of certain pro forma effects of the proposed restructuring on results of operations and other financial information for SDG&E.

(2) Includes charges of approximately $80 million after-tax, or $0.68 per common share, for June 1994 writedowns related to non-earning assets of SDG&E (approximately $13 million) and its non-utility subsidiaries (approximately $67 million).

(3) Includes long-term debt redeemable within one year.

ADDITIONAL FINANCIAL INFORMATION

SDG&E's 1994 Annual Report to Shareholders, a copy of which was enclosed with this Proxy Statement and Prospectus, contains audited financial statements of SDG&E as of December 31, 1994 and for the year ended on that date. Additional copies of the Annual Report may be obtained without charge upon request as provided under "Incorporation of Certain Documents by Reference" above.

ITEM NO. 3--AMENDMENT OF 1986 LTIP

On October 24, 1994, the Board of Directors amended, restated and extended SDG&E's 1986 Long-Term Incentive Plan (the "LTIP") subject to approval by the Shareholders at the Annual Meeting to: (i) extend the term until April 24, 2005; (ii) include technical changes to conform the LTIP to certain deductibility requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended, and to Rule 16b-3 under the Securities Exchange Act of 1934, as amended; (iii) add provisions for the automatic grant of 300 shares of SDG&E Common Stock per year to each non-employee Director (to become shares of ParentCo Common Stock if the proposed formation of a holding company structure for SDG&E is approved and implemented); and (iv) make certain other, technical changes.

These changes will be effective upon their approval by the Shareholders. The amendment, restatement and extension of the LTIP does not increase the number of shares available for grant under the LTIP above the number previously approved by the Shareholders.

ITEM NO. 4--SHAREHOLDER PROPOSAL

SDG&E has received a shareholder proposal which is included in this Proxy Statement and Prospectus in accordance with the rules of the SEC. The proposal relates to recommended criteria for incentive compensation. See "Item No. 4--Shareholder Proposal" below for further discussion regarding this proposal. For the reasons set forth in SDG&E's opposition statement to the proposal, the Board of Directors recommends that the Shareholders vote "AGAINST" the proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE (1) "FOR" THE ELECTION OF ALL NOMINEES FOR DIRECTOR, (2) "FOR" APPROVAL OF THE MERGER AGREEMENT AND THE PROPOSED FORMATION OF A HOLDING COMPANY STRUCTURE, (3) "FOR" THE PROPOSAL TO AMEND THE LTIP, AND (4) "AGAINST" THE SHAREHOLDER PROPOSAL.

SAN DIEGO GAS & ELECTRIC COMPANY
SDO PARENT CO., INC.
101 ASH STREET
SAN DIEGO, CALIFORNIA 92101

PROXY STATEMENT AND PROSPECTUS

GENERAL INFORMATION

MEETING DATE; VOTING; PROXIES

The enclosed proxy is solicited by the Board of Directors (the "Board of Directors") of San Diego Gas & Electric Company ("SDG&E" or the "Company") from the shareholders of SDG&E (the "Shareholders") for use at the Annual Meeting of Shareholders, together with any adjournment or postponement thereof (the "Annual Meeting"), to be held at 11:00 a.m. on Tuesday, April 25, 1995, at the California Center for the Arts, Escondido, 340 North Escondido Boulevard, Escondido, California. Mail to SDG&E should be addressed to the Office of the Secretary, P.O. Box 1831, San Diego, California 92112-4150.

The enclosed proxy may be revoked at any time before it is voted by filing a written notice of revocation with SDG&E or by presenting an executed proxy bearing a later date at or prior to the Annual Meeting. A Shareholder also may revoke a proxy by attending the Annual Meeting and voting in person; however, attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy.

The Board of Directors has fixed the close of business on March 1, 1995 as the record date (the "Record Date") for the determination of Shareholders entitled to notice of and to vote at the Annual Meeting.

SDG&E has three classes of stock, of which there were issued and outstanding at the close of business on the Record Date the following:

(a) 116,531,735 shares of common stock, without par value ("SDG&E Common Stock");

(b) 1,374,650 shares of cumulative preferred stock, $20 par value per share ("SDG&E Cumulative Preferred Stock"); and

(c) 3,190,000 shares of preference stock (cumulative), without par value ("SDG&E Preference Stock (Cumulative)").

A Shareholder of record as of the close of business on the Record Date is entitled to one vote per share for each share of SDG&E Common Stock held and two votes per share for each share of SDG&E Cumulative Preferred Stock held. Holders of SDG&E Preference Stock (Cumulative) have voting rights only in limited circumstances described in the SDG&E Restated Articles of Incorporation (the "SDG&E Restated Articles"), and as allowed by California law.

Shares represented by properly executed proxies received by SDG&E prior to or at the Annual Meeting will be voted at the Annual Meeting in accordance with the instructions specified in each proxy. If no instructions are specified in a particular proxy, subject shares will be voted (i) "FOR" the election of the nominees of the Board of Directors for directorships, unless authority to vote is withheld as provided in the proxy, (ii) "FOR" approval of the proposed formation of a holding company structure for SDG&E and a related agreement of merger, (iii) "FOR" the proposal to amend the 1986 Long-Term Incentive Plan (the "LTIP"), and (iv) "AGAINST" the shareholder proposal. In the event that any other matters properly come before the Annual Meeting, the holders of proxies solicited by the Board of Directors will vote on those matters in accordance with their judgment, and discretionary authority to do so is included in the proxy.

This Proxy Statement and Prospectus and the enclosed proxy were first mailed on or about March 10, 1995 to Shareholders entitled to vote at the Annual Meeting.

ITEM NO. 1--ELECTION OF DIRECTORS
(ITEM 1 ON COMMON STOCK AND CUMULATIVE PREFERRED STOCK PROXY CARDS)

The full Board of Directors is to be elected at the Annual Meeting to serve until the end of the ensuing 12-month period (or until their successors are duly elected and qualified). The ten candidates nominated to serve on the Board of Directors receiving the highest number of affirmative votes shall be elected to the Board of Directors. If the proposed formation of a holding company structure for SDG&E is approved and implemented, each of the Directors of SDG&E will also be ratified as a Director of the parent holding company, to serve for the terms provided in such corporation's charter documents. See "Item No. 2--Formation of a Holding Company Structure--Articles of Incorporation and Bylaws of ParentCo, and --Elections: Classified Board of Directors" below.

The persons named in the enclosed proxy card will vote the number of shares shown thereon. Proxies given to the persons named will be voted "FOR" the election of all nominees listed below, unless authority to vote is withheld with respect to one or more nominees. All of the nominees are presently Directors of SDG&E (as well as Directors of the corporation which is proposed for shareholder approval as the parent holding company) and, with the exception of Messrs. Jones and Stickel, have been elected previously by the Shareholders. Should any of the nominees become unavailable (an event which is not anticipated), and the size of the Board of Directors is not reduced accordingly, proxies will be voted for the remainder of the listed nominees and for such other nominees as may be designated by the present Board of Directors as replacements for those who become unavailable.

Shares represented by proxies in which authority to vote is "WITHHELD" with respect to one or more nominees will be counted in the number of votes cast but will not be counted as votes for or against any nominee. If a broker or other nominee holding shares for a beneficial owner does not vote in the election of Directors, the shares will not be counted in the number of votes cast.

THE BOARD RECOMMENDS THE ELECTION OF ITS NOMINEES FOR DIRECTORS.

NOMINEES

[PICTURE]

RICHARD C. ATKINSON, PH.D.

Dr. Atkinson has been the chancellor of the University of California at San Diego since July, 1980. He is a director of Qualcomm, Inc. Before joining UCSD, he served as director of the National Science Foundation. He is a former long-term member of the faculty at Stanford University.

Age 65

Director since 1992

Chairman of the Audit Committee and Member of the Executive Committee

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ANN BURR

[PICTURE]

Ms. Burr is president of the San Diego Division of Time Warner Cable, which includes Southwestern Cable TV and American Cablevision of Coronado.

Age 48

Director since 1993

Member of the Audit and Nominating Committees

RICHARD A. COLLATO

[PICTURE]

Mr. Collato has been president and chief executive officer of the YMCA of San Diego County since January 1981. He is a trustee of Springfield College and a director of the Armed Services YMCA of the USA.

Age 51

Director since 1993

Member of the Finance and Nominating Committees

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DANIEL W. DERBES

[PICTURE]

Mr. Derbes is president of Signal Ventures. From November 1985 until December 31, 1988, he was president of Allied-Signal International Inc. and executive vice president of Allied-Signal Inc., a multi-national advanced technologies company. He is a director of Oak Industries, Inc., WD-40 Co., Pacific Diversified Capital Company (PDC) and Wahlco Environmental Systems, Inc. (Wahlco Environmental).

Age 64

Director since 1983

Chairman of the Finance Committee and Member of the Executive and Executive Compensation Committees

CATHERINE T. FITZGERALD

[PICTURE]

Ms. Fitzgerald is executive vice president of Internationale Nederlanden Group, North America, a life, health, property and casualty insurance company. Ms. Fitzgerald was formerly executive vice president, Internationale Nederlanden Group, America Life Companies, and a member of the management executive committee of Security Life of Denver, a wholly owned subsidiary of Nationale-Nederlanden N.V. Prior to that Ms. Fitzgerald was executive vice president, human resources and a member of the management executive committee of Broadway Stores, Inc. Division of Carter Hawley Hale Stores, Inc., a retail department store chain.

Age 61

Director since 1979

Chairwoman of the Executive Compensation Committee and Member of the Audit Committee

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ROBERT H. GOLDSMITH

[PICTURE]

Mr. Goldsmith is a management consultant. He is a former chairman, president and chief executive officer of Exten Industries, Inc. and a former chairman and chief executive officer of Rohr, Inc. He is also a former vice chairman and chief operating officer of Precision Forge Co., senior vice president of Pneumo Corporation's Aerospace and Industrial Group and vice president and general manager, commercial (aircraft) engine projects division and the gas turbine division of General Electric Company.

Age 64

Director since 1992

Member of the Executive Compensation and Finance Committees

WILLIAM D. JONES

[PICTURE]

Mr. Jones is president, chief executive officer and a director of CityLink Investment Corporation. From 1989 to 1993, he served as general manager/senior asset manager and investment manager with certain real estate subsidiaries of The Prudential. Prior to joining The Prudential, Mr. Jones served as a San Diego City Council member from 1982 to 1987. Mr. Jones is a director of The Price Real Estate Investment Trust and a member of the board of trustees of the University of San Diego.

Age 39

Director since 1994

Member of the Finance and Nominating Committees

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RALPH R. OCAMPO, M.D.

[PICTURE]

Dr. Ocampo is a San Diego physician and surgeon.

Age 63

Director since 1983

Member of the Finance Committee

THOMAS A. PAGE

[PICTURE]

Mr. Page has been chairman and chief executive officer of SDG&E since February 1983. Mr. Page was president of SDG&E from February 1983 to December 1991, and has been president since January 1994. Mr. Page is a director of Burnham Pacific Properties and the chairman of the board and a director of PDC and Wahlco Environmental.

Age 61

Director since 1979

Chairman of the Executive and Nominating Committees

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THOMAS C. STICKEL
Mr. Stickel is the chairman and founder of American Partners Capital Group, Inc.
[PICTURE]
From 1983 to 1992, he was chairman and chief executive officer of TCS Enterprises, Inc., a business and financial services holding company. Mr. Stickel is also a director of Catellus Development Corporation, the Del Mar Thoroughbred Club, C.O.P.S., Inc., Shelly Young Cosmetics and the Clair Burgener Foundation.

Age 45

Director since 1994

Member of the Audit and Executive Compensation Committees

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FOOTNOTES

During 1994, 11 meetings of the Board of Directors were held. Each of the Directors, during their respective terms in 1994, attended 75% or more of the aggregate of (1) the total number of Board meetings and (2) the total number of meetings held by all Board Committees on which the Director served, except for Mr. Stickel who attended 67% of the meetings held during his term of service (Mr. Stickel was elected as a Director in October of 1994 and attended two of the three meetings held after his election; his attendance at the funeral of a family member prevented his participation at the missed meeting).

On March 4, 1993, Dr. Ocampo petitioned for protection under Chapter 11 of the Federal Bankruptcy Code. This filing was made in connection with certain legal proceedings involving a limited partnership in which Dr. Ocampo is a general partner. Dr. Ocampo filed a Disclosure Statement and Plan of Reorganization on November 9, 1994.

COMMITTEES

In addition to Executive and Finance Committees, the Board of Directors has Audit, Executive Compensation and Nominating Committees.

Audit Committee

Members of this Committee are Directors R. C. Atkinson, A. Burr, C. T. Fitzgerald and, effective February 27, 1995, T. C. Stickel. The Committee held two meetings during 1994. In addition to recommending an independent auditor for each ensuing year, this Committee reviews (1) the overall plan of the annual independent audit, (2) financial statements, (3) audit results, (4) the scope of internal audit procedures and (5) the auditors' evaluation of internal controls. This Committee is composed exclusively of Directors who are not salaried employees of SDG&E.

Executive Compensation Committee

Members of this Committee are Directors D. W. Derbes, C. T. Fitzgerald, R. H. Goldsmith and, effective February 27, 1995, T. C. Stickel. The Committee held three meetings during 1994. This Committee reviews the salaries and other forms of compensation of executives of SDG&E and makes compensation recommendations to the full Board of Directors. This Committee is composed exclusively of Directors who are not salaried employees of SDG&E.

Nominating Committee

Members of this Committee are Directors A. Burr, R. A. Collato, T. A. Page and, effective February 27, 1995, W. D. Jones. The Committee held one meeting during 1994. In addition to considering and recommending nominees to the Board of Directors, this Committee recommends (1) criteria for the composition and membership of the Board of Directors and its Committees and (2) Directors' compensation. The Committee considers any nominees recommended by Shareholders by letter to the Board of Directors. This Committee is composed of the Chief Executive Officer of SDG&E and three Directors who are not salaried employees of SDG&E.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL HOLDERS

On March 1, 1995, there were approximately 70,356 holders of record of SDG&E Common Stock. The following table sets forth the beneficial ownership of (1) all Directors and the five highest compensated executive officers individually, (2) all Directors and executive officers as a group and (3) the only beneficial owners known to SDG&E to hold more than 5% of any class of SDG&E's voting securities as of March 1, 1995. All holdings listed in the table below are of SDG&E Common Stock.

BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (SHARES)(A)	PERCENT OF CLASS
Directors and Named Executive Officers:		
R. C. Atkinson	1,000	*
A. Burr	1,000	*
R. A. Collato	1,909	*
D. W. Derbes	2,056	*
C. T. Fitzgerald	2,537	*
R. H. Goldsmith	1,093	*
W. D. Jones	-0-	*
R. R. Ocampo	13,128	*
T. C. Stickel	200	*
T. A. Page	176,028	*
S. L. Baum	39,925	*
G. D. Cotton	28,289	*
D. E. Felsinger	30,867	*
N. A. Peterson	11,064	*
All directors and executive officers as a group (20 persons)	381,633(B)	*
Others:		
First Interstate Bank of California ..... Trust Securities, W11-4 707 Wilshire Boulevard Los Angeles, CA 90017	16,413,436(C)	14.085%
Franklin Resources, Inc. 777 Mariners Island Boulevard San Mateo, CA 94404	5,900,660(D)	5.064%
Union Bank Trust Department. 530 B Street San Diego, CA 92101	9,751,725(E)	8.368%

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* less than 1% of the shares outstanding

(A) All shares are beneficially owned by the directors and named officers, with sole voting and investment power, except for the following:

- Dr. Atkinson: 1,000 shares held jointly with spouse/children of same household.
- Mr. Collato: 1,909 shares held jointly with spouse/children of same household.
- Mr. Derbes: 1,656 shares credited to a Common Stock Investment Plan ("CSIP") account with the shareholders' agent.
- Ms. Fitzgerald: 2,137 shares credited to a CSIP account with the shareholders' agent.
- Mr. Goldsmith: 93 shares credited to a CSIP account with the shareholders' agent.
- Dr. Ocampo: 13,128 shares held jointly with spouse/children of same household.
- Mr. Stickel: 200 shares held jointly with spouse/child of same household.
- Mr. Page: 59,775 shares held jointly with or separately by spouse/children of same household; 13,613 shares credited to a CSIP account with the shareholders' agent; 51,800 shares credited as of 2/1/95 to a Savings Plan account with the trustee; 50,840 shares of restricted stock purchased under the 1986 Long-Term Incentive Plan (the "LTIP") as to which vesting has not occurred.

. Mr. Baum: 2,159 shares credited as of 2/1/95 to a Savings Plan account with the trustee; 18,510 shares of restricted stock purchased under the LTIP as to which vesting has not occurred.

. Mr. Cotton: 7,228 shares credited as of 2/1/95 to a Savings Plan account with the trustee; 10,785 shares of restricted stock purchased under the LTIP as to which vesting has not occurred.

. Mr. Felsinger: 5,296 shares credited as of 2/1/95 to a Savings Plan account with the trustee; 14,855 shares of restricted stock purchased under the LTIP as to which vesting has not occurred.

. Mr. Peterson: 23 shares credited as of 2/1/95 to a Savings Plan account with the trustee; 1,190 shares held jointly with spouse/children of same household; 609 shares credited to a CSIP account with the shareholders' agent; 8,980 shares of restricted stock purchased under the LTIP as to which vesting has not occurred.

(B) Excludes 3,880 shares delivered to SDG&E on 1/31/95 to satisfy certain withholding tax obligations relating to the vesting of shares pursuant to the LTIP as described below under "1986 Long-Term Incentive Plan." All shares beneficially owned by the directors and officers, with sole voting and investment power, except for the following:
. 86,049 shares held jointly with or separately by spouses or children living in the same household.

. 84,704 shares credited as of 2/1/95 to the officers' Savings Plan accounts with the trustee.
. 18,956 shares credited to CSIP accounts with the shareholders' agent.
. 144,760 shares of restricted stock purchased by officers in 1991, 1992, 1993 and 1994 under the LTIP, as to which restrictions for vesting of shares have not yet been satisfied.

(C) 12,305,412 shares as of 2/1/95 are held by the bank in its capacity as shareholders' agent for the CSIP. The bank holds 4,108,124 shares of SDG&E Common Stock, 5,665 shares of SDG&E Cumulative Preferred Stock and 24,640 shares of SDG&E Preference Stock (Cumulative) as trustee for various other trusts.

(D) According to a Schedule 13G filed February 6, 1995, the indicated shares are owned by Franklin Resources, Inc., its subsidiaries and investment companies advised by such subsidiaries.

(E) 9,707,928 shares as of 2/1/95 are held by the bank in its capacity as trustee under the Savings Plan. The trustee has discretion under the Savings Plan to vote the shares in the absence of voting directions by the Savings Plan participants. The agent holds 43,797 shares of SDG&E Common Stock and 100 shares of SDG&E Cumulative Preferred Stock as trustee for various other trusts.

SECTION 16 REPORTING

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires SDG&E's directors, executive officers and holders of more than 10% of SDG&E's Common Stock to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of SDG&E Common Stock and other equity securities of SDG&E. SDG&E believes that during the fiscal year ended December 31, 1994, its officers, directors and holders of more than 10% of outstanding SDG&E Common Stock complied with all Section 16(a) filing requirements, with the exception of K. A. Flanagan and J. L. Laun, officers of SDG&E, each of whom filed an initial report on Form 3 approximately one month late.

EXECUTIVE COMPENSATION AND TRANSACTIONS WITH MANAGEMENT AND OTHERS

The following table sets forth information as to all compensation awarded, paid, earned or distributed by SDG&E during the last three fiscal years for services in all capacities to or for the benefit of the chief executive officer and the four highest compensated executive officers whose earned compensation exceeded $100,000.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	YEAR	SALARY (A)	BONUS (B)	OTHER ANNUAL COMPENSATION (C)	LTIP PAYOUTS (D)(E)	ALL OTHER COMPENSATION (F)
T. A. Page.....	1994	$528,615	$253,000	$11,228	$ 76,147	$ 60,078
Chairman, Chief Executive.....	1993	509,203	337,000	9,910	513,777	55,161
Officer and President...	1992	486,408	265,000	5,079	344,703	48,682
S. L. Baum.....	1994	244,999	90,000	1,278	23,969	18,606
Executive Vice President.....	1993	244,307	129,000	1,107	162,006	17,695
	1992	224,650	90,000	232	110,504	15,496
D. E. Felsinger.....	1994	228,076	81,000	2,137	13,644	14,103
Executive Vice President.....	1993	216,970	111,000	1,881	96,401	10,755
	1992	187,731	73,000	668	60,334	9,139
N. A. Peterson.....	1994	200,004	74,000	-0-	-0-	-0-
Sr. Vice President, General.....	1993	110,772	62,000	-0-	10,844	-0-
Counsel and Secretary...	1992	-0-	-0-	-0-	-0-	-0-
G. D. Cotton.....	1994	184,999	68,000	340	16,778	14,862
Sr. Vice President.....	1993	184,722	98,000	302	105,076	14,160
	1992	176,784	70,000	244	71,795	12,744

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(A) Amounts shown reflect compensation paid and amounts deferred. All officers may elect to defer bonuses and base salary for periods of time they select. Restricted stock awarded in 1994 pursuant to the LTIP is reported below in the Long-Term Incentive Plan table.

(B) Bonuses are paid pursuant to the Executive Incentive Compensation Plan ("EICP") as described below under "Report of the Executive Compensation Committee" below.

(C) Other annual compensation includes any deferred compensation interest above 120% of the applicable federal rate.

(D) LTIP payouts relate to restrictions lifted on restricted stock awarded pursuant to the LTIP. Payouts are based on SDG&E performance as described below under "1986 Long-Term Incentive Plan."

(E) The aggregate holdings/value of restricted stock held on December 31, 1994, by the individuals listed in this table, are: T. A. Page, 54,970 shares/$920,748; S. L. Baum, 19,810 shares/$331,818; D. E. Felsinger, 15,595 shares/$261,216; N. A. Peterson, 8,980 shares/$150,415; and G. D. Cotton, 11,695 shares/ $195,891. The value of the aggregate restricted stock holdings at December 31, 1994 is determined by multiplying $19.25, the fair market value of SDG&E's Common Stock on December 31, 1994, less the purchase price of $2.50 per share, by the number of shares held. These December 31, 1994 share amounts include the March 1, 1995 share amounts shown in "Security Ownership of Management and Certain Beneficial Holders" above. In certain instances, the March 1, 1995 amounts are less due to the vesting of certain shares in January 1995. Regular quarterly dividends are paid on restricted stock held by these individuals, when declared by SDG&E.

(F) All other compensation includes a cash amount paid to each officer designated solely for the purpose of paying (a) the premium for an insurance policy providing death benefits equal to two times such officer's current compensation; such cash amount includes a gross-up payment such that the net amount retained by each officer, after deduction for any income tax imposed on such payment, will be equal to the gross amount which would have been paid to such officer had the income tax not been imposed; (b) SDG&E match under deferred compensation agreements which allow officers who have exceeded the maximum pretax amount under the Savings Plan to continue to make pretax deferrals of base compensation to an account in their name up to a maximum of 15%; up to 6% of base compensation will be

matched by an SDG&E contribution of 50 cents per dollar deferred; no amount can be deferred by an officer or matched by SDG&E under this agreement until the officer contributes to the Savings Plan the maximum amount allowed by the tax law; and (c) SDG&E contributions to the Savings Plan. The respective amounts paid in fiscal year 1994 for each of the above officers were: T. A. Page, $44,096, $14,010, and $1,972; S. L. Baum, $11,125, $5,502 and $1,979; D. E. Felsinger, $8,475, $3,950 and $1,678; N. A. Peterson, $-0-, $-0- and $-0-; and G. D. Cotton, $9,297, $2,085 and $3,480.

COMPENSATION OF DIRECTORS

During 1994, Directors not holding salaried positions in SDG&E were paid an annual retainer of $30,000, payable at the rate of $2,500 per month. No additional fees were paid for attendance at any meeting of the Board or of any Committee of the Board. Non-employee Directors are reimbursed for their out-of-pocket expenses incurred to attend meetings. All Directors except Mr. Page are non-salaried Directors.

A proposal is included with this Proxy Statement and Prospectus which would add provisions to the LTIP for the automatic grant of 300 shares of SDG&E common stock per year to non-employee Directors (to become shares of parent holding company common stock if the proposed formation of a holding company structure for SDG&E is approved and implemented). See "Item No. 3--Amendment of 1986 LTIP" below.

D. W. Derbes and T. A. Page are Directors of SDG&E who are also directors of PDC and Wahlco Environmental. As a non-employee director, D. W. Derbes receives a $500 fee for attending each meeting of PDC. D. W. Derbes also receives an annual retainer of $12,000 plus a $1,000 fee for attending each meeting of Wahlco Environmental.

Mr. Page received no fees or other compensation for serving as a Director of SDG&E or any of its subsidiaries.

Directors may elect to defer their retainers and/or fees for periods of time they select.

On December 17, 1990, the Board adopted a Retirement Plan for Directors applicable to Directors serving on the Board on or after such date. If a Director has at least five years of total Board service, then, beginning in the calendar quarter following the later of the Director's retirement from the Board or attaining age 65, the Director (or a surviving spouse) will receive during each subsequent 12-month period, a benefit amount equal to the Director's annual retainer (currently $30,000) for a benefit period equal to the number of years of the Director's total service on the Board. The benefit will end upon the completion of the benefit period or the death of the later to die of the Director and a surviving spouse, whichever occurs first. In computing the benefit period, periods of service as an employee Director shall be disregarded.

EMPLOYMENT CONTRACT OF MR. PAGE

On September 12, 1988, Thomas A. Page and SDG&E entered into an employment agreement dated as of June 15, 1988. Mr. Page's employment agreement provides that he will serve as Chief Executive Officer and Chairman of the Board of Directors of SDG&E for a period of two years beginning June 15, 1988, subject to automatic extensions for successive two-year periods (unless the contract is terminated as described below) and that he will receive a salary at a rate of not less than $31,916.66 per month or such greater amount as may, from time to time, be determined by the Board.

The employment agreement also provides that Mr. Page will be entitled to participation in the Executive Incentive Compensation Plan, any other annual bonus plan, the Savings Plan, the LTIP and any other long-term incentive plan. In addition, Mr. Page is entitled to participate in the Supplemental Executive Retirement Plan (the "SERP") and the Pension Plan. Pursuant to an earlier agreement between Mr. Page and SDG&E, Mr. Page was credited with years of service under the Pension Plan and the SERP equal to his years of service with SDG&E plus five extra years.

Under the employment agreement, if Mr. Page's employment is terminated (i) by the Board upon two years' written notice, (ii) upon his death or permanent disability, (iii) by SDG&E for cause or (iv) by Mr. Page upon 30 days written notice to SDG&E, which termination is other than a "Constructive Termination" (as defined below), he will receive benefits through the last day of his term of employment and no additional benefits. If Mr. Page's employment is terminated (i) because of the dissolution, liquidation or winding-up of SDG&E, (ii) by a majority vote of the SDG&E Board of Directors without cause upon 30 days written notice

or (iii) by Mr. Page as a result of (A) any violation of the compensation provisions of the employment agreement, (B) any adverse and significant change in Mr. Page's position, duties, responsibilities or status, including the failure to be elected to the Board and as Chief Executive Officer of SDG&E or (C) a change in Mr. Page's normal business location to a point away from SDG&E's main headquarters (each, a Constructive Termination), he will be entitled to two years' salary paid in a lump sum plus a bonus equal to 200% of the average of the three highest bonuses paid to him during the previous five years, continued health and life insurance benefits under various plans, his SERP benefit (without regard to the limit described therein relating to Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")) and his LTIP benefit. If any of the payments set forth in the previous sentence become subject to the excise tax imposed by Section 4999 of the Code, SDG&E will pay Mr. Page an additional amount such that the net amount retained by Mr. Page after deduction for such excise tax and any income and excise tax imposed on such additional amount will be equal to the gross amount which would have been paid to Mr. Page under the agreement had the excise tax not been imposed. The benefits payable to Mr. Page under the agreement on account of a change in control are in lieu of any benefits which would have otherwise been payable to Mr. Page under the Executive Severance Allowance Plan. The term "change in control" includes such significant events as those described under "Pension Plan and Supplemental Executive Retirement Plan" below.

1986 LONG-TERM INCENTIVE PLAN

LONG-TERM INCENTIVE PLAN
AWARDS IN LAST FISCAL YEAR

NAME	NNMBER OF RESTRICTED SHARES	PERFORMANCE PERIOD UNTIL PAYOUT	ESTIMATED FUTURE PAYOUTS UNDER NON-STOCK PRICE-BASED PLANS (A)(B)
T. A. Page.....	18,820	Four Annual Periods	$326,998
S. L. Baum.....	5,940	Four Annual Periods	103,208
	2,500	One-Year (1996)(C)	43,438
D. E. Felsinger.....	5,080	Four Annual Periods	88,265
	2,500	One-Year (1996)(C)	43,438
N. A. Peterson.....	4,420	Four Annual Periods	76,798
G. D. Cotton.....	3,960	Four Annual Periods	68,805

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(A) The value (target) of the restricted stock awards is determined by multiplying $19.875, the fair market value of SDG&E Common Stock on the date of grant, December 6, 1994, less the purchase price of $2.50 per share, by the number of shares awarded.

(B) The payout amounts set forth in this column represent both the maximum and the target amounts payable upon achievement of all performance-vesting goals. The minimum payout upon failure to achieve any of the performance vesting goals would be $0. The actual payout will depend upon the achievement of performance-vesting goals and upon the fair market value of SDG&E Common Stock at the date of vesting.

(C) Special grants of 2,500 shares each were made in 1994 to S. L. Baum and D. E. Felsinger. Lifting of restrictions on these shares is dependent upon Company performance for 1996 (discussed below).

The LTIP provides that the Executive Compensation Committee may grant to certain executives any combination of nonqualified stock options, incentive stock options, restricted stock, stock appreciation rights, performance awards, stock payments or dividend equivalents. As of December 31, 1994, all grants made under the LTIP have been in the form of restricted stock.

With respect to LTIP shares purchased in 1986 through 1989, all restrictions have been lifted in prior years.

With respect to LTIP shares purchased in 1990, 1991, 1992, 1993 and 1994, restrictions on one-quarter of the number of shares originally placed in escrow are to be released and the shares are to be delivered to the executives for each of the four succeeding calendar years if SDG&E's earnings per share meet or exceed the earnings per share target set by the Executive Compensation Committee or if, at the end of the first, second and third quarters of the following year, earnings for the twelve months then ending equal or exceed the weighted average of the targets for the prior year and the current year. In addition, as to shares purchased in 1990, 1991 and 1992, the restrictions on all remaining shares that are not released in such manner will be released and the shares will be delivered to executives at the end of the fourth succeeding calendar year, if and only if, a total return to shareholders goal, as determined by the Executive Compensation Committee or the Board, is met. Shares purchased in 1993 have no end-of-term goal. As to shares purchased in 1994, the restrictions on all remaining shares may be released by the Board of Directors after considering the impact on 1995--1998 earnings of industry and corporate restructuring during such period.

In addition to the above-described restricted shares with four-year performance period-based restrictions, a special grant of 2,500 shares was made to each of S. L. Baum and D. E. Felsinger in 1994. The restrictions on these shares are to be lifted at the end of 1996 if the Company meets or exceeds the target earnings per share for 1996 as set by the Executive Compensation Committee. Such target earnings may be adjusted to reflect industry and corporate restructuring.

With respect to LTIP shares purchased in 1990, the total return to shareholders goal as set by the Board of Directors for the four-year period ending in 1994 was met, the restrictions have been lifted and all shares have been delivered to the executives. However, since the one-year earnings per share goal was not met at year-end 1994, the shares issued in 1991, 1992 and 1993 which could have been released in 1994 are still held in escrow.

In general, restricted shares may not be sold, transferred or pledged until restrictions are removed or expire. Purchasers of restricted stock have voting rights and will receive dividends prior to the time the restrictions lapse if and to the extent paid on SDG&E Common Stock generally.

All shares of restricted stock purchased are placed in escrow. It is anticipated that restricted stock would be forfeited and would be resold to SDG&E at original cost in the event that vesting is not achieved by virtue of performance or other criteria.

Under the LTIP, all outstanding incentive awards become fully vested and exercisable without restrictions upon the occurrence of one of two events after a change in control. The first triggering event is the failure of a successor corporation or its parent or subsidiary to make adequate provision for continuation of the LTIP by substituting new awards. In the second triggering event, even if adequate provision for continuation of the LTIP and substitution of new awards has been made, an executive's incentive awards will become vested and exercisable if the executive is terminated within three years after a change of control for reasons other than cause, retirement, death or disability, or voluntarily terminates employment due to adverse circumstances.

The term "change in control" includes such significant events as those described under "Pension Plan and Supplemental Executive Retirement Plan" below. The adverse circumstances allowing such voluntary termination of employment consist of significant and adverse changes in the executive's position, duties, responsibilities or status, or the reduction or elimination of the executive's compensation or incentive compensation opportunities.

The LTIP will expire in January 1996, unless terminated by the Board prior to that date; however, a proposal is included in this Proxy Statement and Prospectus which, if approved by the Shareholders, would

extend the term of the LTIP until April 24, 2005 (see "Item No. 3--Amendment of 1986 LTIP" below). Outstanding incentive awards will not be affected by such expiration or termination and will vest or be forfeited in accordance with their terms.

PENSION PLAN AND SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

PENSION PLAN AND SERP TABLE

ASSUMED ANNUAL COMPENSATION	AGGREGATE ANNUAL BENEFIT FOR CREDITED YEARS OF SERVICE(1)	
	5 YEARS	10 YEARS AND THEREAFTER
$100,000	$ 30,000	$ 60,000
200,000	60,000	120,000
300,000	90,000	180,000
400,000	120,000	240,000
500,000	150,000	300,000
600,000	180,000	360,000
700,000	210,000	420,000
800,000	240,000	480,000

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(1) Credited years of service under the Pension Plan for the five highest paid executive officers are: T. A. Page, 17 years; S. L. Baum, 10 years; D. E. Felsinger, 22 years; N. A. Peterson, 2 years; and G. D. Cotton, 19 years.

In addition to the Pension Plan, the Supplemental Executive Retirement Plan (SERP) provides a supplemental retirement benefit for certain executives. The aggregate monthly benefit payable under the combined Pension Plan and SERP to an executive who retires at age 62 and has completed at least five years of service will be a percentage of the executive's final pay equal to 6% times years of service (up to a maximum of 10 years); however, officers appointed after July 1, 1994 shall receive 5% times years of service (up to a maximum of 10 years). Final pay is defined in the SERP as the monthly base pay rate in effect during the month immediately preceding retirement, plus 1/12 of the average of the highest three years' gross bonus awards. Alternatively, the executive may elect to receive a lump sum cash payment equal to the actuarially determined present value of the monthly benefits. The SERP also provides reduced benefits to executives who retire between the ages of 55 and 61, if the executive has completed at least five years of employee service. Benefits may be paid also to executives who retire after age 62.

The above table shows the aggregate annual retirement benefits payable to executives under the Pension Plan and the SERP, assuming a straight life annuity form of pension at the normal retirement age of 62 for specified compensation and years of service. The benefit amounts listed in the table are not subject to a deduction for Social Security benefits. SERP payments will be reduced by benefits payable under the Pension Plan.

The SERP, as amended, provides monthly surviving spouse benefits equal to 50% of the defined benefits and disability benefits equal to 100% of the defined benefits.

The SERP also provides enhanced benefits to an executive who is adversely affected within three years after the occurrence of an event constituting a change in control of SDG&E. If, during that period, an executive is terminated for reasons other than cause, retirement, death or disability, or voluntarily leaves employment for reasons specified in the SERP, the executive may elect either to take early retirement, if otherwise qualified to do so, or to receive a lump sum cash payment equal to the actuarially determined present value of normal retirement benefits based on ten years of service. Some or all of the amounts to be paid will be funded out of the cash value of a life insurance policy paid for by SDG&E on behalf of the executive.

The lump sum payment under the SERP is limited. If that payment alone, or when added together with other payments that the executive has the right to receive from SDG&E in connection with a change in control of SDG&E, becomes subject to the excise tax imposed by Section 4999 of the Code, the payment must be reduced until no such payment is subject to the excise tax. The effect of this limitation is that total severance payments made to an executive in connection with a change in control of SDG&E may not exceed approximately 2.99 times the executive's average W-2 income for the five years preceding the change of control.

Certain significant events described in the SERP constitute a change in control, such as the dissolution of SDG&E, the sale of substantially all the assets of SDG&E, a merger or the acquisition by one person or group of the beneficial ownership of more than 25% of the voting power of SDG&E coupled with the election of a new majority of the Board. An SDG&E-initiated merger in which SDG&E is the surviving entity is not a change in control; accordingly, the proposal regarding the formation of a holding company structure for SDG&E and related restructuring set forth below under "Item No. 2--Formation of a Holding Company Structure" will not constitute a change in control. The adverse actions that allow an executive to leave employment voluntarily are described in the SERP and consist of events such as a significant and adverse change in the executive's position, duties, responsibilities or status, or the reduction or elimination of the executive's compensation or incentive compensation opportunities.

EXECUTIVE SEVERANCE ALLOWANCE PLAN

SDG&E's Executive Severance Allowance Plan, as amended (the "Executive Severance Plan"), covers officers with one or more years of employee service in lieu of coverage under the SDG&E severance plan for non-officer employees.

The Executive Severance Plan provides two different severance allowances depending upon whether the officer's termination is related to a change in control of SDG&E. Termination unrelated to a change in control essentially means a termination due to a reduction in staff, or a termination resulting from SDG&E's sale of a work unit. The term "change in control" includes such significant events as those described under "Pension Plan and Supplemental Executive Retirement Plan" above. If, within three years after a change in control, the officer is terminated for reasons other than cause, retirement, death or disability, or leaves employment voluntarily due to adverse actions, the officer is entitled to a severance allowance. The adverse actions that allow an officer to leave employment voluntarily are described in the Executive Severance Plan and consist of events such as a significant and adverse change in the officer's position, duties, responsibilities or status, or the reduction or elimination by SDG&E (or its successors) of the officer's compensation or incentive compensation opportunities.

In the event of a termination unrelated to a change in control, officers with one or more years of employee service, but less than five years of employee service, will receive a severance allowance consisting of a continuation of base salary and health and basic life insurance benefits for nine months. Officers with five or more years of employee service receive a continuation of base salary and such benefits for 12 months.

The Executive Severance Plan provides that, if the length of an officer's severance allowance is greater under the employees' severance plan than under the Executive Severance Plan, the officer's severance allowance under the Executive Severance Plan will be for that longer period.

In the event of a termination related to a change in control, the officer will receive a severance allowance consisting of one year's final pay in a lump sum payable within five days after termination and, at the officer's option, either the continuation of health and basic life insurance coverage for 12 months or a lump sum payment equal to the present value of that coverage. Payments pursuant to the Executive Severance Plan alone, or when combined with compensation from other SDG&E sources made in connection with a change in control of SDG&E, may not exceed approximately 2.99 times the officer's average W-2 income for the five years preceding the change in control.

The Executive Severance Plan provides a procedure and a formula to reduce the total payments to be received by an officer by reason of a change in control if such total payments would exceed the 2.99 limitation (causing an excise tax to be due) and if the officer waives receipt of all or a portion of the excess. Under the formula, an officer's lump sum benefit under the SERP would be first reduced, if necessary, to zero. It is not anticipated that any reduction under any other benefit plan would be necessary in the case of any officer.

REPORT OF THE EXECUTIVE COMPENSATION COMMITTEE

The Executive Compensation Committee, which is composed entirely of independent outside Directors, acts on behalf of the Board of Directors in the interests of the Shareholders in formulating policy and administering approved programs for compensating SDG&E's officers and other senior executives.

The compensation policy of SDG&E, with respect to its executives, is to provide a total compensation package wherein the mix and total of base salary, annual incentive and long-term incentive, the composition of its benefit programs, and the terms and administration of the plans by which such forms of compensation are determined (1) are structured and administered in the best interests of the Shareholders, (2) are reasonable in comparison to competitive practice, (3) align the amount of compensation with corporate performance, and (4) will continue to motivate and reward on the basis of company and individual performance. The Executive Compensation Committee believes that a significant portion of the total compensation of all executives, and most specifically, the Chief Executive Officer, should be "at risk" and based upon the achievement of measurable, superior financial and operational performance.

In discharging its responsibility, the Executive Compensation Committee, subject to the final approval of the Board of Directors, determines the factors and criteria to be used in compensating the Chief Executive Officer, as well as other executives of SDG&E, and applies these factors and criteria in administering the various plans and programs in which these executives participate to ensure they are (1) consistent with SDG&E's compensation policy, (2) compatible with SDG&E's other compensation programs and (3) administered in accordance with their terms and the objectives for which they are intended.

To assist in the performance of the above and to ensure that it is provided with unbiased, objective input, the Executive Compensation Committee has retained the services of an outside independent compensation consulting firm. This firm provides advice to the Executive Compensation Committee with respect to the reasonableness of compensation paid to executives of SDG&E. In doing so, it takes into account and advises the Executive Compensation Committee of the compensation practices of, and compensation levels paid by, comparable utility companies of similar size and geographic location. These companies, with the exception of certain gas utilities, are included in the Dow Jones Utilities Index referenced in the performance graph below (see "Comparative Common Stock Performance"). The Executive Compensation Committee considers the compensation practices and levels paid by major non-utility companies located in California. Increased competition also requires the collection of comparative information from deregulated companies nationwide. In addition, the Executive Compensation Committee reviews economic and comparative compensation surveys compiled and provided by the Human Resources department of SDG&E. The Executive Compensation Committee believes that by taking into account the compensation practices of other comparative utilities as well as major California non-utility companies, it can best determine the level of compensation necessary to attract, retain and motivate its executives.

While it may rely on such information, the Executive Compensation Committee is ultimately and solely responsible for any decisions made or recommended to the Board of Directors with regard to the compensation of SDG&E's executives.

The Executive Compensation Committee has reviewed the compensation of SDG&E's executives and has determined that their compensation is consistent with SDG&E's policy.

Chairman, President and Chief Executive Officer Compensation

The compensation of the Chairman, President and Chief Executive Officer, Mr. Thomas A. Page, as well as that of the other executives, is directly tied to the achievement of the corporate goals described below.

The base salary of the Chief Executive Officer, and the other executives, is targeted at the competitive median (50th percentile) for comparably sized utilities and companies. Pursuant to Mr. Page's employment agreement described above, he will receive a salary of not less than $31,916.66 per month. The Chief Executive Officer's targeted participation levels are 50% under the EICP and 61% under the LTIP, of base salary. Actual incentive compensation earned under these two plans is contingent upon SDG&E's attaining stated performance goals. At targeted compensation levels, 53% of the Chief Executive Officer's total compensation is contingent on the achievement of these quantifiable corporate performance goals. As discussed further below in the EICP and LTIP sections, these goals include earnings per share, return on equity, market-to-book, operating and maintenance expenses, rates, electric reliability, safety, and customer satisfaction.

Base Salary Compensation

The base salary component for the Chief Executive Officer and the other executives is reviewed annually and is based upon the responsibilities of the position and the experience of the individual. The Executive Compensation Committee also takes into account the base salaries of executives with similar responsibilities at the above-mentioned companies. Other factors taken into consideration by the Executive Compensation Committee are the condition of the local and national economies and SDG&E's financial and operational health. The individual performance of the specific executive is also considered. The base salary information is gathered and analyzed in order to determine the appropriate compensation level. While these statistical factors may warrant one level of pay, more subjective elements such as the condition of the economy may dictate another.

Executive Incentive Compensation Plan (EICP)

Under the EICP, cash payments may be made annually to the Chief Executive Officer and other executives based on a combination of financial and operating performance goals. There are three elements that determine the individual awards: (1) the executive's base salary; (2) the participation level; and (3) corporate performance. The participation level is expressed as a percentage and is set by the Executive Compensation Committee based on the executive's duties and level of responsibility. The amount of the individual award is determined by multiplying the executive's base salary by the participation level and then modifying it by total corporate performance.

The EICP is highly leveraged on the basis of performance. Accordingly, no payments may be made unless and until the minimum performance levels are exceeded. Under the terms of the EICP, corporate performance is measured against preset quantifiable goals approved by the Executive Compensation Committee at the beginning of the year. A target and a minimum and maximum performance range are established for each goal. Financial goals include (1) the percent return on shareholders' equity and (2) the ratio of SDG&E's stock market price to its book value, which is then compared to other utilities. Operating goals include (1) adherence to SDG&E's operating budget, (2) an electric rate target, (3) customer service satisfaction as measured by customer surveys, (4) average customer electric outage, and (5) lost-time accidents. Total corporate performance is determined from the degree of achievement of each of these goals. These goals directly support the performance-based rates goals approved by the California Public Utilities Commission. The Executive Compensation Committee gives equal weight to the financial goals and the operating goals in order to balance shareholder and customer interests. This serves to assist SDG&E in reaching its goals of lowering rates and increasing earnings at the same time.

All 1994 operating performance minimum goals were met or exceeded with customer satisfaction achieving an all-time high and safety experiencing an all-time low number of accidents. Due to non-recurring write-downs, the 1994 financial goal of return on shareholders' equity was not met, although SDG&E's market-to-book ratio is still in the top 25% of utilities. For 1994, the individual awards could not exceed 75% of base salary for the Chief Executive Officer and 60% for other executives. The EICP compensation component represents 24% of the Chief Executive Officer's total mix of compensation based upon the targets set under the EICP and LTIP. The actual amounts earned by each of SDG&E's five highest compensated executives under the EICP are listed in the Summary Compensation Table.

1986 Long-Term Incentive Plan (LTIP)

The LTIP was approved by the Shareholders in 1986 to promote the interests of SDG&E and its Shareholders. The LTIP was presented to the Shareholders for vote and included the term and number of shares approved for issue. The LTIP delegates the responsibility of administration and goal determination to the Executive Compensation Committee. The LTIP's primary purpose is to enhance the value of SDG&E to its Shareholders by encouraging executives to remain with SDG&E and to act and perform to increase the price of SDG&E's shares and its earnings per share. To accomplish these objectives, SDG&E sells shares of its stock to its executives at a fixed price of $2.50 per share. These shares are subject to substantial restrictions on the rights of SDG&E's executives to benefit fully from such shares unless and until certain company earnings improvement and continued service requirements are met. If these requirements or other criteria are not met, it is anticipated that the executives' rights to such shares would be forfeited and they would be sold back to SDG&E at their original purchase price.

All of SDG&E's executives are eligible to participate in the LTIP at various levels. The number of shares granted is determined by a formula adopted by the Executive Compensation Committee, and is calculated as a percentage of base salary. The higher the salary level, the higher the participation level (or percentage of risk). For example, in 1994 the Chief Executive Officer participated at 61% of base salary, making the LTIP equal to 29% of his mix of total target compensation. As a component of the executives' total compensation package, the LTIP formula is reviewed annually. The review takes into consideration that the value of such shares, at the time of grant, has been determined to be consistent with the size of grants made to executives in similar positions in the above-mentioned companies. Other factors accounted for are LTIP goals, current share ownership and current participation levels.

With respect to LTIP shares purchased in 1990, 1991, 1992, 1993 and 1994, restrictions on one-quarter of the number of shares originally placed in escrow are to be released and the shares are to be delivered to the executives for each of the four succeeding calendar years if SDG&E's earnings per share meet or exceed the earnings per share target set by the Executive Compensation Committee or if, at the end of the first, second and third quarters of the following year, earnings for the twelve months then ending equal or exceed the weighted average of the targets for the prior year and the current year. In addition, as to shares purchased in 1990, 1991 and 1992, the restrictions on all remaining shares that are not released in such manner will be released and the shares will be delivered to executives at the end of the fourth succeeding calendar year, if and only if, a total return to shareholders goal, as determined by the Executive Compensation Committee or the Board, is met. Shares purchased in 1993 have no end of term goal. As to shares purchased in 1994, the restrictions on all remaining shares may be released by the Board of Directors after considering the impact on 1995--1998 earnings of industry and corporate restructuring during such period.

In addition to the above-described restricted shares with four-year performance period-based restrictions, a special grant of 2,500 shares was made to each of S. L. Baum and D. E. Felsinger in 1994. The restrictions on these shares are to be lifted at the end of 1996 if the Company meets or exceeds the target earnings per share for 1996 as set by the Executive Compensation Committee. Such target earnings may be adjusted to reflect industry and corporate restructuring.

With respect to LTIP shares purchased in 1990, the total return to shareholders goal as set by the Board of Directors for the four-year period ending in 1994 was met, the restrictions have been lifted and all shares have been delivered to the executives. However, since the one-year earnings per share goal was not met at year-end 1994, the shares issued in 1991, 1992 and 1993 which could have been released in 1994 are still held in escrow.

The number of restricted shares sold to SDG&E's five highest-compensated executives in 1994, pursuant to the LTIP, is shown in the Long-Term Incentive Plan Table. The goals for restricted shares sold in 1994 are based on the achievement of increased earnings per share.

Revenue Reconciliation Act of 1993

In 1993, Section 162(m) of the Internal Revenue Code of 1986 was amended to limit the deductibility of most forms of compensation, over $1,000,000, paid to top executives of publicly-held corporations. The Executive Compensation Committee believes that awards of stock options and stock appreciation rights, if

any, under the LTIP will not be subject to the limitations on compensation deductibility as a result of the amendments submitted to the Shareholders for approval at the Annual Meeting (see "Item No. 3--Amendment of 1986 LTIP" below). The Executive Compensation Committee intends to maintain flexibility in the manner and conditions under which grants of restricted stock are made under the LTIP, however, and such grants may in the future be subject to the limitations on compensation deductibility under certain circumstances.

The report is submitted by the Executive Compensation Committee:

Catherine T. Fitzgerald, Chair

Daniel W. Derbes

Robert H. Goldsmith

COMPARATIVE COMMON STOCK PERFORMANCE

The following graph compares the percentage change in SDG&E's cumulative total shareholder return on SDG&E Common Stock over the last five fiscal years with the performances of the Standard & Poor's 500 Index and the Dow Jones Utilities Index over the same period. The returns were calculated assuming the investment in SDG&E Common Stock, the S&P 500, and the Dow Jones Utilities Index on December 31, 1989, and reinvestment of all dividends.

[CRC GRAPH]

[TABLE FOR PERFORMANCE GRAPH IN EDGAR FORMAT]
COMPARISON OF FIVE-YEAR CUMULATIVE RETURN
AMONG SDG&E, DOW JONES UTILITIES INDEX AND S&P 500 INDEX

MEASUREMENT PERIOD (FISCAL YEAR COVERED)	SDG&E	S&P 500 INDEX	DOW JONES UTILITIES INDEX
Measurement Pt -- 12/31/89.....	$100.00	$100.00	$100.00
FYE 12/31/90.....	$105.89	$ 96.89	$ 95.48
FYE 12/31/91.....	$113.74	$126.42	$109.89
FYE 12/31/92.....	$128.60	$136.05	$114.30
FYE 12/31/93.....	$141.07	$149.76	$125.26
FYE 12/31/94.....	$117.86	$151.74	$106.37

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(A) Calculations for the S&P 500 Index were performed by Standard & Poor's Compustat Services, Inc.
(B) The Dow Jones Utilities Index (consisting of 11 electric utilities and four gas utilities) is maintained by Dow Jones & Company, Inc. and reported daily in The Wall Street Journal.
(C) At December 31, 1988 and through May 1991 SDG&E was involved in merger negotiations and SDG&E Common Stock was trading at inflated prices. SDG&E estimates that, absent the merger negotiations, the cumulative total shareholder return on SDG&E Common Stock over the last five fiscal years would have been $134.

ITEM NO. 2--FORMATION OF A HOLDING COMPANY STRUCTURE
(ITEM 2 ON COMMON STOCK AND CUMULATIVE PREFERRED STOCK PROXY CARDS)
(ITEM 1 ON PREFERENCE STOCK (CUMULATIVE) PROXY CARDS)

GENERAL

The Board of Directors has authorized, subject to shareholder approval, a plan to change the corporate structure of SDG&E and its subsidiaries. The result of the restructuring will be to have SDG&E and all of its direct subsidiaries become separate subsidiaries of a parent holding company, SDO Parent Co., Inc. ("ParentCo"), with the present holders of SDG&E Common Stock becoming holders of the common stock of ParentCo, without par value ("ParentCo Common Stock"). The direct subsidiaries of SDG&E that, in addition to SDG&E, would become direct subsidiaries of ParentCo are Pacific Diversified Capital Company, Enova Corporation, Califia Company and Enova Energy Management, Inc.

Management and the Board of Directors consider the proposed change in corporate structure to be in the best interests of SDG&E and its Shareholders, believing that a parent holding company, with SDG&E as its principal subsidiary, will result in benefits for SDG&E, its Shareholders and other constituents.

THE BOARD OF DIRECTORS OF SDG&E RECOMMENDS APPROVAL OF THE PROPOSED FORMATION OF A HOLDING COMPANY STRUCTURE AND URGES EACH SHAREHOLDER TO VOTE "FOR" THE PROPOSED RESTRUCTURING.

PLAN OF IMPLEMENTATION

To carry out the restructuring, SDG&E has formed a new California corporation, SDO Parent Co., Inc. (which name is subject to change at the discretion of the Board of Directors and without further action by the Shareholders prior to consummation of the restructuring). ParentCo has, in turn, formed a new California corporation, San Diego Merger Company ("MergeCo"). Prior to the Merger (defined below), (i) MergeCo will have a nominal amount of stock outstanding, all of which will be held by ParentCo, and no business or properties of its own, and (ii) ParentCo will have no business or properties of its own, and its outstanding stock will be held by SDG&E.

SDG&E, ParentCo and MergeCo have approved an agreement of merger (the "Merger Agreement"). The Merger Agreement is subject to certain conditions, including shareholder approval as required by California law. If the transactions contemplated by the Merger Agreement occur, SDG&E will become a subsidiary of ParentCo through the merger of MergeCo into SDG&E (the "Merger"). A copy of the Merger Agreement is attached to this Proxy Statement as Exhibit A, and is incorporated herein by reference.

In the Merger, each share of SDG&E Common Stock will be converted into one share of ParentCo Common Stock. Following the Merger, SDG&E will transfer to ParentCo the capital stock of SDG&E's present direct subsidiaries so that these companies also will become direct subsidiaries of ParentCo (the Merger, the transfer and related activity are sometimes referred to in this Proxy Statement and Prospectus as the "restructuring").

It is anticipated that the restructuring will not affect the position of present Shareholders of SDG&E for federal income tax purposes. See "Federal Income Tax Consequences of the Merger" below.

Except for SDG&E Common Stock, none of the securities of SDG&E, including SDG&E Cumulative Preferred Stock, SDG&E Preference Stock (Cumulative) and SDG&E's debt securities, will be changed by the Merger. The outstanding shares of SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) will continue to be outstanding shares of SDG&E. See "Treatment of Preferred Stock" below.

REASONS FOR THE RESTRUCTURING

The principal reason for the proposed restructuring, including the formation of ParentCo, is to respond to the changing business environment in the electric and gas utility industries in a manner which management

believes is in the best interests of the Shareholders and customers. The proposed restructuring will allow SDG&E to operate its regulated utility business efficiently while providing, through the structure of a holding company with other direct subsidiaries, an organization which permits separation of the other facets of the Company from such regulated utility business.

For over a century, SDG&E has operated predominantly as a traditional utility, responsible for constructing and operating the generation, transmission and distribution facilities needed to serve its customers. However, both regulation of utilities and the markets which SDG&E has traditionally served are changing. As facets of the traditional utility business which were once regulated, such as electric generation, become less regulated and more competitive, the energy options for customers, particularly large industrial users of energy, are expanding.

Management believes that the corporate separation afforded by a holding company structure will permit the holding company, ParentCo, to respond effectively to increasing competition in the energy business. Where a facet of the business, such as electric generation, becomes unregulated, that business can be separated from the core utility business of SDG&E, although remaining under the common ownership of ParentCo. Separation will facilitate the development of such unregulated businesses while insulating SDG&E from the risks associated with their activities. Following the restructuring, any liabilities of the direct subsidiaries of ParentCo other than SDG&E will not constitute liabilities of SDG&E. Accordingly, any benefits or detriments of these subsidiaries will flow to the security holders of ParentCo and not to the security holders of SDG&E (i.e., holders of SDG&E Cumulative Preferred Stock, SDG&E Preference Stock (Cumulative) and SDG&E's debt securities).

In 1994, the California Public Utilities Commission (the "CPUC") issued a proposal to restructure the California utility industry to allow for increased competition in certain facets of the utility business. In response to such proposal, SDG&E suggested consideration of the separation of its electric generation assets. SDG&E is currently evaluating such a separation and making preparations should the CPUC order it. Absent CPUC direction, a separation may nevertheless become expedient in view of evolving regulatory and market circumstances. Other facets of SDG&E's present business also may become future candidates for separation. Any separation of SDG&E assets and resources will be effected in compliance with applicable regulatory and security holder approval requirements, and the terms of any such separation will depend upon future conditions and the scope of involved assets and resources.

Separation of the competitive, unregulated facets of the energy business, as well as the diversified operations of SDG&E's present subsidiaries (Pacific Diversified Capital Company, Enova Corporation, Califia Company and Enova Energy Management, Inc.), from the core utility business of SDG&E will help to protect SDG&E's stability as viewed by sources of financing. Such stability is vital to avoid increased capital costs for SDG&E which would lead to higher utility rates. Accordingly, the holding company structure will support SDG&E's ability to continue efficiently meeting its customers needs while permitting the Company to respond to a changing business environment.

Management also believes that the holding company structure will permit the use of financing techniques that are more directly suited to the particular requirements, characteristics and risks of non-utility operations without any impact on the capital structure or credit of SDG&E. Management anticipates that (i) ParentCo, in addition to receiving dividends from SDG&E (and other direct subsidiaries of ParentCo), may obtain funds through debt or equity financings, (ii) SDG&E may obtain funds through its own financings (which may include the issuance of first mortgage bonds or preferred stock, as well as the issuance of additional shares of SDG&E Common Stock to ParentCo), and (iii) the non-utility businesses may obtain funds from ParentCo, from other non-utility affiliates or from their own outside financings. Any financings will depend upon the financial and other conditions of the entities involved and on market conditions.

The proposed restructuring provides for a holding company that will not be a utility. Neither ParentCo nor any securities it issues will be subject to the jurisdiction of the CPUC, the Federal Energy Regulatory

Commission (the "FERC") or the Nuclear Regulatory Commission (the "NRC"); provided, however, that (i) as the sole owner of SDG&E Common Stock, ParentCo may be indirectly subject to such jurisdiction with respect to certain matters due to the application to SDG&E of laws, orders and rules which can affect and regulate utilities, and (ii) rules or orders of these commissions may impose restrictions on ParentCo's relationship with SDG&E that are designed to protect utility customers, to promote the common defense and security, or to protect the health and safety of the public. See "Regulation" below. The utility business of SDG&E will constitute the predominant part of ParentCo's earning power for the foreseeable future after the restructuring.

Following the restructuring, SDG&E will continue to operate as a public utility subject to the jurisdiction of the CPUC, the FERC and the NRC. The operations of SDG&E will continue to be conducted as they are at the present time, with the same assets and management. Management and the SDG&E Board of Directors believe that the restructuring will have no material adverse effect on SDG&E, its continuing security holders or its customers.

MERGER AGREEMENT

The Merger Agreement has been approved by the Boards of Directors of SDG&E, ParentCo and MergeCo. Pursuant to the Merger Agreement, the following events will occur upon the effectiveness of the Merger:

- Each outstanding share of SDG&E Common Stock will be automatically converted into one share of ParentCo Common Stock.

- Each outstanding share of SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) will continue as one such issued and outstanding share, with the same voting powers, designations, preferences, rights, qualifications, limitations and restrictions, just as prior to the Merger.

- The outstanding shares of the common stock of MergeCo will be automatically converted into all of the issued and outstanding shares of SDG&E Common Stock, all of which will then be owned by ParentCo (with the effect that the number of issued and outstanding shares of SDG&E Common Stock immediately after the Merger will be the same as the number of issued and outstanding shares of SDG&E Common Stock immediately prior to the Merger).

- The shares of ParentCo Common Stock then held by SDG&E will be canceled.

As a result, SDG&E, which will be the surviving corporation in the Merger, will become a subsidiary of ParentCo, and all of the ParentCo Common Stock outstanding immediately after the Merger will be owned by the holders of SDG&E Common Stock outstanding immediately prior to the Merger.

Following the Merger, SDG&E will complete the restructuring by transferring the capital stock of SDG&E's present direct subsidiaries (Pacific Diversified Capital Company, Enova Corporation, Califia Company and Enova Energy Management, Inc.) to ParentCo.

AMENDMENT OR TERMINATION

By mutual consent of their respective boards of directors, SDG&E, ParentCo and MergeCo may abandon the Merger or amend, modify or supplement the terms of the Merger Agreement in such manner as may be agreed upon by them in writing at any time before or after approval of the restructuring by the Shareholders. However, no such amendment, modification or supplement shall, if agreed to after such approval by the Shareholders, change any of the principal terms of the Merger Agreement. SDG&E will notify the Shareholders in the event of any material amendment, modification or supplement.

The Merger Agreement provides that it may be terminated, and the Merger abandoned, at any time, whether before or after approval of the restructuring by the Shareholders, by action of the SDG&E Board of Directors if such Board determines that the completion of the restructuring would for any reason be

inadvisable or not in the best interests of SDG&E or its Shareholders. In making such determination, the SDG&E Board of Directors would consider, among other things, demands for cash payments, if any, made by holders of SDG&E Common Stock or SDG&E Cumulative Preferred Stock seeking to exercise statutory dissenters' rights under applicable California law (described below under "Rights of Dissenting Shareholders").

The SDG&E Board of Directors would be expected to terminate and abandon the restructuring, for example, if SDG&E has not received, within a reasonable period after shareholder approval, the approval of the CPUC on terms which are satisfactory to the SDG&E Board of Directors. SDG&E is unable to predict under what other circumstances the restructuring might be terminated and abandoned.

TREATMENT OF PREFERRED STOCK

The proposed Merger and restructuring will not result in any change in SDG&E's two outstanding classes of preferred stock (SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative)). The decision of the SDG&E Board of Directors to have SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) continue as securities of SDG&E is based upon, among other things, a desire to avoid changing the nature of the investment represented by such stock, as well as the desire of SDG&E not to foreclose future issuances of preferred stock to help meet its capital requirements. SDG&E's debt securities also will not be altered in the Merger; rather, these securities will remain outstanding and will continue as obligations of SDG&E as the survivor of the Merger (in the case of SDG&E's first mortgage bonds, continuing to be secured by a first mortgage lien on the properties of SDG&E that are subject to such lien).

The utility operations of SDG&E presently constitute, and are expected to continue to constitute for the foreseeable future, the substantial majority of the affiliated group's consolidated assets and earning power. Accordingly, it is believed that SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) will retain their investment rating, as well as their qualification for legal investment, by remaining outstanding securities of SDG&E.

SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) will continue to rank senior to SDG&E Common Stock (all of which, after the Merger, will be held by ParentCo) as to dividends and as to the distribution of assets of SDG&E in the event of any liquidation of SDG&E. SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) are and will be unrelated in rank to ParentCo Common Stock or the common stock of other direct subsidiaries to be held by ParentCo (initially, Pacific Diversified Capital Company, Enova Corporation, Califia Company and Enova Energy Management, Inc.). Payment of dividends on ParentCo Common Stock will in large part depend on the earnings of SDG&E and payment of dividends on SDG&E Common Stock. SDG&E's Restated Articles will continue to provide that no dividends may be paid on SDG&E Common Stock unless dividends are current on SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative). Payment of any dividends on the common stock of any other direct subsidiaries held by ParentCo will be unaffected by any dividend payment or nonpayment on either SDG&E Cumulative Preferred Stock, SDG&E Preference Stock (Cumulative) or SDG&E Common Stock.

Separation from SDG&E of the assets and earnings of its non-utility subsidiaries will decrease the assets and may decrease the earnings of SDG&E, and will result in SDG&E's investment in these subsidiaries being no longer of potential benefit to holders of SDG&E Cumulative Preferred Stock, SDG&E Preference Stock (Cumulative) or SDG&E's debt securities (i.e., any earnings of these subsidiaries will not be available to pay dividends, interest or principal with respect to such securities). However, the SDG&E Board of Directors believes that such holders will not be materially affected by the separation. SDG&E's net investment in its non-utility subsidiaries was approximately $106 million at December 31, 1994, representing approximately 7.2% of the SDG&E Common Stock shareholders' equity as of that date. If the separation of the non-utility subsidiaries had occurred on January 1, 1994, the net income (before SDG&E Cumulative Preferred Stock

and SDG&E Preference Stock (Cumulative) dividend requirements) of SDG&E for the year ended December 31, 1994 would have increased by approximately $62.8 million, or approximately 43.8%, and total assets would have decreased by approximately $459.2 million, or approximately 9.9%. However, such increase in net income reflected for SDG&E for the year ended December 31, 1994 had such separation occurred on January 1, 1994 is affected by a significant charge during such period for writedowns at the non-utility subsidiaries of approximately $67 million (related to non-earning assets--see "Pro Forma Financial Effects" below). In the absence of such writedowns, such net income would have decreased upon a separation by approximately $4.2 million, or approximately 2.0%.

The SDG&E Board of Directors believes that the separation will have no material adverse effect on SDG&E's utility operations or on its financial position or results of operations. Following the Merger, SDG&E will continue to be a reporting company under the Securities Exchange Act of 1934, as amended. While annual meetings of SDG&E shareholders are expected to continue to be held after the Merger, SDG&E may decide not to solicit proxies from holders of SDG&E Cumulative Preferred Stock or SDG&E Preference Stock (Cumulative) in connection with the election of directors and in connection with other matters requiring the approval of shareholders but not requiring a class vote of holders of SDG&E Cumulative Preferred Stock or SDG&E Preference Stock (Cumulative), since the shares of SDG&E Common Stock owned by ParentCo will have sufficient voting power to take action without the vote of SDG&E Cumulative Preferred Stock or SDG&E Preference Stock (Cumulative).

PRO FORMA FINANCIAL EFFECTS

The following table summarizes certain pro forma financial effects of the restructuring as of December 31, 1994, and for the year ended December 31, 1994, which, in the opinion of management, reflect all adjustments necessary for a fair presentation.

	SDG&E AS REPORTED	SDG&E PRO FORMA	ADJUSTMENTS AND RECLASS-IFICATIONS(1)	PARENTCO CONSOLIDATED PRO FORMA
	(IN THOUSANDS OF DOLLARS)			
BALANCE SHEETS--AS OF DECEMBER 31, 1994				
Assets				
Utility Plant--net	$3,149,092	$3,149,092	$ 0	$3,149,092
Investments and other property	466,864	189,165	277,699	466,864
Current assets	394,494	308,425	86,069	394,494
Deferred charges and other assets	632,001	536,567	95,434	632,001
Total Assets	$4,642,451	$4,183,249	$ 459,202	$4,642,451
Capitalization and Liabilities				
Capitalization				
Common equity	$1,474,430	$1,368,916	$ 105,514	$1,474,430
Preferred stock	118,493	118,493	(118,493)(2)	0
Preferred stock of SDG&E			118,493 (2)	118,493
Long-term debt	1,340,237	1,214,119	126,118	1,340,237
Total Capitalization	2,933,160	2,701,528	231,632	2,933,160
Current liabilities	687,209	587,453	99,756	687,209
Deferred taxes and other liabilities	1,022,082	894,268	127,814	1,022,082
Total Capitalization and Liabilities	$4,642,451	$4,183,249	$ 459,202	$4,642,451
STATEMENTS OF INCOME--YEAR ENDED DECEMBER 31, 1994(3)				
Operating Revenues	$1,982,037	$1,856,503	$ 125,534	$1,982,037
Operating Expenses	1,660,121	1,550,360	109,761	1,660,121
Operating Income	321,916	306,143	15,773	321,916
Other Income (Deductions)	(73,095)	(7,258)	(65,837)	(73,095)
Interest Charges	105,344	92,589	12,755	105,344
Preferred Dividend Requirements of SDG&E			7,663 (2)	7,663
Net Income	143,477	206,296	(70,482)	135,814
Preferred Dividend Requirements	7,663	7,663	(7,663)(2)	0
Earnings Applicable to Common Shares	$ 135,814	$ 198,633	$ (62,819)	$ 135,814

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(1) Pro forma SDG&E amounts have been adjusted to eliminate subsidiaries to be transferred to ParentCo following the Merger.
(2) Pro forma amounts assume no exercise of preferred stockholders' dissenters' rights. Preferred stock of SDG&E and related dividends have been reclassified.
(3) Includes charges of approximately $80 million for SDG&E (as reported, or ParentCo on a consolidated pro forma basis), or $0.68 per common share, for June 1994 writedowns related to non-earning assets of SDG&E (on a pro forma basis--approximately $13 million) and non-SDG&E subsidiaries of ParentCo (approximately $67 million).

DIVIDEND POLICY

It is anticipated that quarterly dividends on ParentCo Common Stock will commence at a rate equal to that currently being paid on SDG&E Common Stock, and will be paid on approximately the same dates in

each year as dividends on SDG&E Common Stock have been paid. The quarterly dividend most recently declared by the SDG&E Board of Directors was $0.39 per share of SDG&E Common Stock payable on April 15, 1995 to holders of record on March 10, 1995. The rate and timing of dividends of ParentCo will depend upon the earnings, financial condition and dividend restrictions of ParentCo and its subsidiaries, including SDG&E, and upon other factors affecting dividend policy which are not presently determinable.

Initially, the funds required by ParentCo to enable it to pay dividends on ParentCo Common Stock are expected to be derived primarily from dividends paid by SDG&E on SDG&E Common Stock. It is anticipated that such cash dividends paid by SDG&E to ParentCo will be sufficient, together with any amounts provided by other subsidiaries of ParentCo, to enable ParentCo to pay cash dividends on ParentCo Common Stock and to meet operating and other expenses. However, the dividend policy of SDG&E will be established by SDG&E's Board of Directors as though SDG&E were a stand-alone utility, and the amounts of dividends declared and paid by SDG&E will be subject to the availability of earnings and the needs of the utility business, as well as CPUC requirements. In addition, the ability of SDG&E to pay dividends on SDG&E Common Stock to ParentCo will be subject to the prior dividend rights of SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative), to restrictions contained in the indenture supporting SDG&E's first mortgage bonds and other agreements to which SDG&E is or may become a party, and to requirements of California law.

Payment of dividends on SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) is anticipated to continue at the specified rates without interruption or change; however, the payment of these dividends is also dependent upon the earnings and financial condition of, and other factors affecting, SDG&E.

DIRECTORS AND MANAGEMENT OF PARENTCO AND SDG&E

The Directors of SDG&E elected at the Annual Meeting will also be the Directors of ParentCo after the completion of the restructuring (see "Item No. 1--Election of Directors" above). In approving the Merger Agreement and the proposed formation of a holding company structure for SDG&E, Shareholders will be considered also to have ratified the election of these persons as Directors of ParentCo (as well as ratifying the establishment of a classified Board for ParentCo and the inclusion of certain Directors within the various classes as set forth below--see "Articles of Incorporation and Bylaws of ParentCo--Elections: Classified Board of Directors" below). Subsequent to the Merger, the composition of the respective Boards of Directors of SDG&E and ParentCo may be the same or may be different.

The following persons, each of whom is currently an executive officer of SDG&E, will hold, at least initially, in addition to the office or offices held with SDG&E, the offices of ParentCo indicated below:

NAME	OFFICE
Thomas A. Page.....	Chairman of the Board, President and Chief Executive Officer
Stephen L. Baum.....	Executive Vice President and Chief Financial Officer
Donald E. Felsinger.....	Executive Vice President
Nad A. Peterson.....	Senior Vice President, General Counsel and Secretary
Frank H. Ault.....	Vice President and Controller

Initially, ParentCo will not have full-time officers and employees of its own. To the extent, however, that the activities of ParentCo expand, ParentCo may employ full-time salaried officers and employees. ParentCo and SDG&E each expect, from time to time, to render to the other certain services and to make available the use of certain facilities and equipment. The corporation receiving such services or using such facilities and equipment will reimburse the other corporation for the cost or fair market value thereof, as appropriate.

ARTICLES OF INCORPORATION AND BYLAWS OF PARENTCO

The articles of incorporation of ParentCo, as they shall be amended and restated prior to the effectiveness of the Merger (the "ParentCo Articles"), have been prepared in accordance with the California General Corporation Law (the "California GCL") and give ParentCo broad corporate powers to engage in any lawful activity for which a corporation may be formed under the laws of the State of California. The name "SDO Parent Co., Inc.," which is presently set forth in the ParentCo Articles, is subject to change at the discretion of the Board of Directors and without further action by the Shareholders prior to consummation of the Merger. The following statements summarize certain relevant provisions of the ParentCo Articles. This summary should be read in the context of, and is qualified by reference to, (i) the full ParentCo Articles, a copy of which is attached to this Proxy Statement and Prospectus as Exhibit B, and (ii) the laws of the State of California. By approving the Merger Agreement and the proposed formation of a holding company structure for SDG&E, Shareholders will be ratifying the provisions of the ParentCo Articles.

The ParentCo Articles contain certain provisions which are similar to the SDG&E Restated Articles; however, aside from the deletion of certain provisions which are obsolete or unnecessary or which specifically concern SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative), there are certain distinctions which are noted below. Shareholders should be aware that one effect of these distinct provisions of the ParentCo Articles may be to delay and thus make more difficult a change in the composition of the ParentCo Board of Directors as compared with the SDG&E Board of Directors, or the removal of existing management, even in circumstances where a majority of the shareholders of ParentCo may be dissatisfied with the performance of the incumbent Directors or otherwise desire to make changes.

Analysis of distinctions in the ParentCo Articles should be tempered, however, by reference to SDG&E's status as a substantially regulated entity (see "Regulation" below). For example, changes in control of SDG&E typically would be subject to CPUC review and approval. Accordingly, while certain provisions of the ParentCo Articles may have the effect of making changes in Board composition and management subject to delay and thus more difficult, the transition from holding stock in a regulated utility to holding stock in ParentCo may have the effect of lessening other restrictions (e.g., certain regulatory reviews of a change in control) affecting a shareholder's ability to influence corporate policy and control.

Capital Stock

The ParentCo Articles authorize the issuance of 300 million shares of ParentCo Common Stock and 30 million shares of preferred stock of ParentCo (the "ParentCo Preferred Stock"). Immediately after the Merger, ParentCo will have approximately 116,541,000 shares of ParentCo Common Stock and no shares of ParentCo Preferred Stock outstanding. Under California law, shares of ParentCo Common Stock and ParentCo Preferred Stock may be issued by ParentCo from time to time upon such terms and for such consideration (and, as to Preferred Stock, having such rights, preferences, privileges and restrictions) as may be determined by the ParentCo Board of Directors. Such further issuances, up to the aggregate amounts authorized by the ParentCo Articles, will not require authorization from the CPUC or approval by the shareholders. ParentCo may issue ParentCo Common Stock from time to time pursuant to common stock investment and employee benefit plans (see "Common Stock Investment and Employee Benefit Plans" below). Aside from these plans, there presently are no intentions to offer or sell shares of ParentCo Preferred Stock or additional shares of ParentCo Common Stock. Under current provisions of the Public Utility Holding Company Act of 1935, as amended (the "Holding Company Act"), and the rules and regulations thereunder, issuance of ParentCo Preferred Stock may be restricted.

Holders of ParentCo Common Stock, subject to any prior rights or preferences of ParentCo Preferred Stock outstanding, (i) have equal rights to receive dividends if and when declared by the ParentCo Board of Directors out of funds legally available therefor and (ii) will receive any distribution made to shareholders upon liquidation. ParentCo Common Stock has no preemptive rights to subscribe for additional shares of ParentCo Common Stock or other securities of ParentCo, nor does it have any redemption or conversion

rights. ParentCo Common Stock has voting rights on the basis of one vote per share. Any series of ParentCo Preferred Stock issued by ParentCo will have such voting rights as may be determined by the ParentCo Board of Directors at the time of issuance; however, the present policies of the national stock exchanges against issuances of stock with disparate voting rights may serve to limit ParentCo's issuances of any ParentCo Preferred Stock with enhanced voting rights.

Number of Directors

The California GCL allows the number of persons constituting the board of directors of a corporation to be fixed by the bylaws or the articles of incorporation, or permits the bylaws to provide that the number of directors may vary within a specified range, the exact number to be determined by the board of directors. The California GCL further provides that, in the case of a variable board, the maximum number of directors may not exceed two times the minimum number minus one. The bylaws of SDG&E (the "SDG&E Bylaws") provide for a Board of Directors that may vary between seven (7) and thirteen (13) members, inclusive, and the SDG&E Board of Directors has presently fixed the exact number of directors at ten (10). The SDG&E Bylaws permit the range of directors, and the precise number within such range, to be modified by a majority of the outstanding SDG&E shares entitled to vote.

The ParentCo Articles provide that the number of directors of ParentCo shall not be fewer than nine (9) nor more than thirteen (13), with the exact number to be determined by the ParentCo Board of Directors or by a bylaw or an amendment thereof adopted by a vote of the holders of shares representing at least 66 2/3% of the outstanding shares of ParentCo entitled to vote. The ParentCo Board is presently fixed at ten (10), and its membership is identical to the SDG&E Board of Directors. The ParentCo Articles also provide that the range of directors, and the precise number within such range, may be modified by a vote of the holders of at least 66 2/3% of the outstanding ParentCo shares. ParentCo has no current intention of changing the number of directors of ParentCo if the Merger is consummated.

Cumulative Voting

Under cumulative voting, each share of stock entitled to vote in an election of directors has such number of votes as is equal to the number of directors to be elected. A shareholder may then cast all of his or her votes for a single candidate or may allocate them among as many candidates as the shareholder may choose. As a result, shareholders holding a significant minority percentage of the outstanding shares entitled to vote in an election of directors may be able to effect the election of one or more directors. If cumulative voting is available, then it is mandatory upon timely notice given by any shareholder at a meeting at which directors are to be elected.

The SDG&E Bylaws provide for the elimination of cumulative voting, as do the ParentCo Articles. Thus, the holder or holders of shares representing a majority of the votes entitled to be cast in an election of directors for ParentCo will be able to elect all directors then being elected. The absence of cumulative voting could have the effect of preventing representation of minority shareholders on the ParentCo Board of Directors.

Elections: Classified Board of Directors

The California GCL generally requires that directors be elected annually but does permit a "classified" board of directors if a corporation either (i) has outstanding securities listed on the New York Stock Exchange (the "NYSE") or the American Stock Exchange (the "AMEX") or (ii) has securities designated for trading as a National Market System security on the National Association of Security Dealers Automatic Quotation ("Nasdaq") and at least 800 shareholders (including record and beneficial owners) (collectively, "Listed Corporations"). SDG&E is a Listed Corporation and ParentCo will, upon the effectiveness of the Merger or promptly thereafter, be a Listed Corporation. SDG&E's Restated Articles currently do not provide for a classified board, and the Directors of SDG&E, who are also the Directors of ParentCo, are set forth above under "Item No. 1--Election of Directors."

The ParentCo Articles provide that, upon ParentCo's attainment of status as a Listed Corporation (i.e., upon the effectiveness of the Merger or promptly thereafter), the ParentCo Board of Directors will become a classified board with three classes of directors, with members of one class to be elected each year for a maximum term of three years. By approving the Merger Agreement and the proposed formation of a holding company structure for SDG&E, Shareholders will be ratifying the election of the Directors to the following classes of the ParentCo Board in the event the Merger is consummated:

(1) Class I (with terms expiring at the next annual meeting of ParentCo): Directors R. C. Atkinson, A. Burr and R. A. Collato;

(2) Class II (with terms expiring at the annual meeting of ParentCo following the next annual meeting): Directors D. W. Derbes, C. T. Fitzgerald and R. H. Goldsmith; and

(3) Class III (with terms expiring at the annual meeting of ParentCo following the next two annual meetings): Directors W. D. Jones, R. R. Ocampo, T. A. Page and T. C. Stickel.

With a classified board, unless adequate cause for removal of directors exists, at least two annual meetings of shareholders would be required for a majority of the shareholders comprising less than a 66 2/3% majority to make a change in control of the ParentCo Board of Directors, since only a minority of the directors will be elected at each meeting.

Actions by Written Consent

The California GCL permits shareholders, unless specifically prohibited by the articles of incorporation, to take action without a meeting by the written consent of the holders of at least the number of shares necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. SDG&E's Restated Articles do not restrict shareholder action by written consent. Action by written consent may, in some circumstances, permit the taking of shareholder action opposed by the Board of Directors more rapidly than would be possible if a meeting of shareholders were required.

In connection with its evaluation of the restructuring, the Board has determined that it is important that it be able to give advance notice of and consideration to any action to be voted on by shareholders, and that all shareholders be able to discuss at a meeting matters which may affect their rights. Accordingly, the ParentCo Articles eliminate actions by written consent of shareholders unless either (i) the Board waives the prohibition in a particular circumstance or (ii) the action is by the unanimous written consent of all shareholders.

Fair Price Provisions

The ParentCo Articles contain "fair price" provisions which are substantially similar to those contained in SDG&E's Restated Articles. These provisions are intended to reduce the possibility of unfair treatment of shareholders in takeover situations.

Indemnification Provisions

The ParentCo Articles contain provisions regarding the indemnification of directors, officers and other agents of ParentCo which are substantially similar to provisions contained in SDG&E's Restated Articles.

Amendment of Articles

Except for the fair price provisions contained in SDG&E's Restated Articles (for which amendment requires a 66 2/3% shareholder vote), the SDG&E Restated Articles may be amended by the approval of the holders of shares having a majority of the votes entitled to be cast for such amendment. The ParentCo Articles provide that the provisions relating to (i) indemnification of officers and directors, (ii) the number of directors, classification of the board and the election of directors (including the limitation on cumulative voting), (iii) the limitation on action of shareholders by written consent, (iv) the fair price provisions and

(v) amendment of the bylaws of ParentCo (the "ParentCo Bylaws") can only be amended by a vote of the holders of shares representing at least 66 2/3% of the outstanding shares of ParentCo entitled to vote.

Amendment of Bylaws

The SDG&E Bylaws may be amended or repealed either by the SDG&E Board of Directors or by the holders of shares having a majority of the votes entitled to be cast for such amendment. The ParentCo Articles provide that (1) upon a vote of at least 66 2/3% of the authorized number of directors, the ParentCo Board of Directors will be able to adopt, amend or repeal any of the ParentCo Bylaws, and (2) the ParentCo Bylaws may also be adopted, amended or repealed by a vote of the holders of shares representing at least 66 2/3% of the outstanding shares of ParentCo entitled to vote.

The ParentCo Bylaws initially will be substantially similar to the SDG&E Bylaws.

LISTING OF PARENTCO COMMON STOCK

ParentCo has applied to list ParentCo Common Stock on the NYSE and on the Pacific Stock Exchange (the "PSE"). It is expected that such listings will occur on, or soon after, the effective date of the Merger. At the time of the listing of ParentCo Common Stock, SDG&E Common Stock will then be delisted from trading on these stock exchanges (all outstanding shares will then be held by ParentCo). Shares of SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative) that are listed on the AMEX and the PSE will continue to be so listed.

TRANSFER AGENT AND REGISTRAR

It is expected that the transfer agent for and the registrar of ParentCo Common Stock will be the same as is presently serving in such capacities for SDG&E Common Stock: First Interstate Bank of California.

COMMON STOCK INVESTMENT PLAN AND EMPLOYEE BENEFIT PLANS

If the Merger is completed, SDG&E's Common Stock Investment Plan will be assumed and continued by ParentCo on and after the effective date of the Merger, so that shares of ParentCo Common Stock thereafter will be available to the holders of ParentCo Common Stock and the customers of SDG&E on the same terms as provided in SDG&E's Common Stock Investment Plan.

If the Merger is completed, SDG&E's Savings Plan and 1986 Long-Term Incentive Plan will be amended, as and when appropriate, to provide for the acquisition of ParentCo Common Stock rather than SDG&E Common Stock. Such plans, as well as the Pension Plan and other employee benefit plans of SDG&E (collectively, the "Employee Benefit Plans"), also will be amended, as and when appropriate, to include eligible employees of ParentCo and the subsidiaries of ParentCo other than SDG&E and to make any other changes necessary or appropriate as a result of the formation of a holding company structure for SDG&E and the related restructuring.

By approving the Merger Agreement and the proposed formation of a holding company structure for SDG&E, the Shareholders will be deemed to have approved the actions to be taken in connection therewith and with the Employee Benefit Plans, including any amendments to the Employee Benefit Plans necessary to accomplish those actions.

REGULATION

As a utility, SDG&E is subject to the jurisdiction of the CPUC with respect to rates for retail sales, standards of service, issuances of securities and certain other matters. SDG&E is also subject to the jurisdiction of (i) the FERC, with respect to certain phases of its electric business, including rates for sales at wholesale, rates for transmission, interconnections with other electric utilities and accounting, and (ii) the

NRC, with respect to SDG&E's partial ownership of and co-licensee status as to the San Onofre nuclear generating facilities. The formation of a holding company structure for SDG&E, the Merger and the related restructuring will not change the applicability of such regulatory jurisdiction to SDG&E. Moreover, SDG&E must obtain certain authorizations from the CPUC, the FERC and the NRC to implement various aspects of the restructuring. An application for authorization from the CPUC was filed on November 7, 1994, and SDG&E subsequently filed for approvals from the FERC and the NRC.

So long as ParentCo is not a public utility or the owner or licensee of nuclear generating facilities, it will not be directly subject to regulation by the CPUC, the FERC or the NRC, except to the extent that rules or orders of these commissions may impose restrictions on ParentCo's relationship with SDG&E that are designed to protect utility customers, to promote the common defense and security, or to protect the health and safety of the public. CPUC rules are, for example, designed to (i) ensure that all costs incurred by SDG&E which result from the activities undertaken by SDG&E's affiliates will be fully recovered from such affiliates, (ii) provide the CPUC with access to all information necessary to analyze SDG&E's costs and monitor the relationships between SDG&E and its non-utility affiliates, (iii) ensure that SDG&E's customers will be insulated from effects of non-utility activities, and (iv) protect the financial health of SDG&E's utility operations. SDG&E will continue to be subject to CPUC regulation of its operations, including its dealings with ParentCo.

ParentCo believes that it will be entitled to an exemption from all provisions of the Holding Company Act except Section 9(a)(2), which requires prior approval of the Securities and Exchange Commission (the "SEC") for certain utility acquisitions. The exemption will take effect upon completion of the Merger and related restructuring and the filing with the SEC of an appropriate exemption statement pursuant to the provisions of the Holding Company Act. It will be necessary to file an annual exemption statement each year after that. The basis of this exemption is that both ParentCo and SDG&E, as ParentCo's only public utility subsidiary, are incorporated in the same state, are predominantly intrastate in character and carry on their business substantially in the state of incorporation. The exemption is available only so long as the utility business of SDG&E, and of any other public utility subsidiary from which ParentCo derives a material portion of its income, is predominantly intrastate in nature. The exemption may also be revoked on a finding by the SEC that such exemption may be detrimental to the public interest or the interest of investors or consumers. The prior approval of the SEC under Section 9(a)(2) of the Holding Company Act would be required if ParentCo proposed the acquisition, directly or indirectly, of additional utility subsidiaries. ParentCo has no present intention of becoming a registered holding company subject to regulation by the SEC under the Holding Company Act.

CONDITIONS PRECEDENT TO THE MERGER

The Merger Agreement provides that consummation of the Merger is subject to approval of the principal terms of the Merger Agreement by the shareholders of SDG&E, ParentCo and MergeCo, as more fully set forth below under "Required Vote." If the required votes of the Shareholders of SDG&E are obtained, SDG&E will then cause the shares of ParentCo and MergeCo to be voted in favor of the Merger.

In addition, the Merger is also subject to (i) a review by the CPUC of the proposal to form a holding company structure for SDG&E without imposition of terms and conditions which are unsatisfactory to the SDG&E Board of Directors, (ii) approval by the NYSE of ParentCo Common Stock for listing upon official notice of issuance and (iii) receipt of other required regulatory authorizations.

EFFECTIVE DATE OF THE MERGER

The Merger Agreement provides that the Merger will be effective at the end of the last day of the calendar month during which the Merger Agreement and related officers' certificates are filed with the California Secretary of State as provided in Section 1103 of the California GCL. Management anticipates that the effective date will occur prior to or on September 30, 1995, although there can be no assurance (e.g.,

due to delays which may occur in seeking approval from the CPUC or acceleration of that process) that the effective date will not occur prior to or subsequent to that date.

REQUIRED VOTE

Under California law and SDG&E's Restated Articles, approval of the Merger Agreement and the proposed formation of a holding company structure for SDG&E will require the favorable vote of (1) a majority of the outstanding shares of SDG&E Common Stock and (2) a majority of the outstanding shares of the combined classes of SDG&E Common Stock and SDG&E Cumulative Preferred Stock, with each share of SDG&E Common Stock being entitled to one vote and each share of SDG&E Cumulative Preferred Stock being entitled to two votes. In addition, the Merger Agreement provides that consummation of the Merger is conditioned upon approval by a two-thirds majority of the outstanding shares of the combined classes of SDG&E Cumulative Preferred Stock and SDG&E Preference Stock (Cumulative), with each share being entitled to one vote.

An abstention, or shares represented by proxies which are marked "ABSTAIN," as well as the failure of a broker or other nominee to vote shares for a beneficial owner, will have the same effect as a vote against the Merger Agreement and the proposed formation of a holding company structure for SDG&E.

RIGHTS OF DISSENTING SHAREHOLDERS

The rights of Shareholders who dissent with respect to the Merger are governed by Chapter 13, Sections 1300-1312 ("Chapter 13"), of the California GCL, the text of which is set forth as Exhibit C to this Proxy Statement. The description of dissenters' rights in this Proxy Statement is qualified in its entirety by reference to Chapter 13 of the California GCL.

If the Merger is completed, certain of the Shareholders who object to the Merger and who have fully complied with all applicable provisions of Chapter 13 of the California GCL will have the right to require SDG&E to purchase their shares for cash at the fair market value of such shares as of the close of business on November 4, 1994, the business day before the terms of the Merger were first announced, excluding any appreciation or depreciation because of the proposed Merger. See "Market Values of Stock" below. Persons who are beneficial owners of shares of SDG&E but whose shares are held by another person, such as a broker or nominee, should instruct the record holder to follow the procedures outlined below if such persons wish to dissent with respect to any or all of their shares.

The procedural requirements to be complied with differ in some respects depending upon whether or not the shares at issue are listed on either (i) a national securities exchange certified by the California Commissioner of Corporations or (ii) the list of OTC margin stocks issued by the Board of Governors of the Federal Reserve System. The only class of shares eligible to be dissenting shares which is not so listed (the "Unlisted Shares") is the SDG&E Cumulative Preferred Stock, 4.60% Series. The classes of shares eligible to be dissenting shares which are so listed (the "Listed Shares") are (1) all series of SDG&E Cumulative Preferred Stock other than the Unlisted Shares and (2) SDG&E Common Stock. Holders of shares of SDG&E Preference Stock (Cumulative) are not entitled to have SDG&E purchase their shares.

Unlisted Shares must be purchased by SDG&E upon compliance by any holder with all applicable requirements. Listed Shares must also be purchased by SDG&E if all applicable requirements are complied with, but only if (a) demands for payment are filed with respect to five percent (5%) or more of the outstanding shares of such class (with shares of SDG&E Common Stock treated as one single class for such purposes and all shares of SDG&E Cumulative Preferred Stock, other than the Unlisted Shares, treated as another single class), or (b) the shares are subject to a restriction on transfer imposed by SDG&E or by any law or regulation. In this regard, SDG&E is not aware of any restriction on transfer except restrictions that may be imposed upon Shareholders who are deemed to be "affiliates" of SDG&E (as that term is defined in Rule 144 adopted by the SEC under the Securities Act of 1933, as amended (the "Securities Act")) and/or

those who received shares in private transactions exempt from the registration requirements of the Securities Act. SDG&E urges any Shareholder believing there is any such restriction affecting his or her shares to consult with his or her own legal counsel as to the nature and extent of any dissenters' rights he or she may have.

The different procedures for security holders wishing to dissent under Chapter 13 of the California GCL with respect to Listed Shares and Unlisted Shares are summarized below.

Unlisted Shares

Assuming SDG&E elects to proceed with the Merger (see "Amendment or Termination" above), within ten days after approval of the Merger by the Shareholders SDG&E will notify all holders of Unlisted Shares who did not vote in favor of the Merger of the approval. SDG&E will offer all such holders a cash price for their shares that SDG&E considers to be the fair market value (as described above) of the shares. The notification will also contain a brief description of the procedures to be followed under Chapter 13 of the California GCL (and a copy of it) in order for a holder of Unlisted Shares to exercise his or her rights to have SDG&E purchase such shares. These procedures include the following requirements:

(1) The holder of record must not have voted the shares in favor of the Merger. The holder may, however, have abstained from voting without losing the right to have SDG&E purchase his or her shares. The holder may also have voted some of his or her shares in favor of the Merger without losing rights as to shares not voted in favor of the Merger.

(2) Any such holder who wishes to have SDG&E purchase his or her shares that were not voted in favor of the Merger must make a written demand to have SDG&E purchase the shares for their fair market value. The demand must include the information specified below and must be received by SDG&E or its transfer agent within 30 days after the date on which notice of approval of the Merger is mailed by SDG&E to the holder. See "Demand for Purchase" below.

Listed Shares

For a holder of Listed Shares to exercise the right to have SDG&E purchase his or her shares, the procedures to be followed under Chapter 13 of the California GCL include the following requirements:

(1) The holder of record must have voted the shares against the Merger. It is not sufficient to abstain from voting. However, the holder may vote part of his or her shares in favor of the Merger or abstain from voting part of his or her shares without losing the right to have SDG&E purchase those shares which were voted against the Merger.

(2) Any such holder who voted against the Merger, and who wishes to have SDG&E purchase his or her shares that were voted against the Merger, must make a written demand to have SDG&E purchase the dissenting shares for their fair market value. The demand must include the information specified below and must be received by SDG&E or its transfer agent not later than the date of the Annual Meeting at which the Merger is approved. See "Demand for Purchase" below.

Assuming SDG&E elects to proceed with the Merger (see "Amendment or Termination" above), within ten days after approval of the Merger by SDG&E's Shareholders, SDG&E will notify any holders of Listed Shares who voted against the Merger and made a timely demand for purchase (and who are entitled to require SDG&E to purchase their shares because either (1) holders of five percent (5%) or more of the outstanding shares of the relevant class filed notices by the date of the Annual Meeting or (2) the shares are restricted as to transfer) of the approval and will offer all of these holders a cash price for their shares which SDG&E considers to be the fair market value (as described above) of the shares. The notification will also contain a brief description of the procedures to be followed under Chapter 13 of the California GCL (and a copy of it) in order for a holder of Listed Shares to exercise his or her right to have SDG&E purchase such shares.

Demand for Purchase

Merely voting or delivering a proxy directing a vote against approval of the Merger does not constitute a demand for purchase. A written demand is required. In all cases, the written demand must:

(1) Be made by the person who was the holder of record on the Record Date (or his or her duly authorized representative) and not by someone who is merely a beneficial owner of the shares or a holder who acquired the shares subsequent to the Record Date;

(2) State the number and class of dissenting shares; and

(3) Include an offer to sell the shares to SDG&E at what the holder believes to be the fair market value of the shares on November 4, 1994, the business day before the terms of the Merger were first announced, excluding any appreciation or depreciation because of the proposed Merger.

In addition, the following conditions apply:

(a) The demand should be sent by registered or certified mail, return receipt requested;

(b) The demand must be signed by the holder of record (or his or her duly authorized representative) exactly as his or her name appears on the form of proxy accompanying his or her copy of this Proxy Statement and Prospectus;

(c) A demand regarding shares owned jointly by more than one person must identify and be signed by all such holders; and

(d) Any person signing a demand in any representative capacity (such as attorney-in-fact, executor, administrator, trustee or guardian) must indicate his or her title and, if SDG&E so requests, must furnish written proof of his or her capacity and authority to sign the demand.

A demand for payment may not be withdrawn without the consent of SDG&E.

Other Requirements

Within 30 days after the date on which notice of approval of the Merger is mailed by SDG&E to appropriate Shareholders, a holder's certificates, representing any shares which the holder demands that SDG&E purchase, must be submitted to SDG&E at its principal offices or to SDG&E's transfer agent to be endorsed with a statement that the shares are dissenting shares. Upon subsequent transfer of these endorsed shares, the new certificates will be similarly endorsed.

If SDG&E and a Shareholder fail to agree on either the fair market value of the shares or on the eligibility of the shares to be purchased by SDG&E, then either the Shareholder or SDG&E may file a complaint for judicial resolution of the dispute. The complaint must be filed within six months after the date on which the notice of approval is mailed to Shareholders. If a complaint is not filed within such six-month period, the shares will lose their eligibility for status as dissenting shares. Two or more dissenting Shareholders may join as plaintiffs or be joined as defendants in such an action. If the fair market value of the shares is in dispute, the court shall determine, or shall appoint one or more impartial appraisers to assist in its determination of, the fair market value. The costs of the action will be assessed or apportioned as the court considers equitable, but if the fair market value is determined to exceed the price offered by SDG&E, then SDG&E will be required to pay such costs. Under certain circumstances, SDG&E may also be required to pay attorneys' fees and certain other costs.

Any demands, notices or other documents required to be sent to SDG&E may be sent to it at Office of the Secretary, 101 Ash Street, P.O. Box 1831, San Diego, California 92112-4150. Any demands, notices or other documents required to be sent to a transfer agent may be sent to First Interstate Bank of California at: Attention Mr. Ron Lug, 707 Wilshire Blvd., W11-2, Los Angeles, California 90017.

As mentioned above, under the Merger Agreement the SDG&E Board of Directors has the right to abandon the Merger for any reason (even after Shareholder approval), and that right may be exercised if the aggregate cost of purchasing dissenting shares is not acceptable. In such case, SDG&E will not be obligated to purchase any dissenting shares, but may be required to pay necessary expenses and reasonable legal fees of Shareholders who have in good faith commenced proceedings to enforce their dissenters' rights.

MARKET VALUES OF STOCK

The market values of the various classes and series of capital stock of SDG&E on November 4, 1994 (the business day immediately preceding public announcement of the terms of the proposed Merger) were:

TITLE OF CLASS/SERIES	MARKET VALUE PER SHARE
Common Stock	$19.625
Cumulative Preferred Stock:	
5% Series	11.25
4% Series	10.25
4.40% Series	10.125
4.60% Series(1)	--
Preference Stock (Cumulative):	
$7.20 Series	85.00
$1.70 Series(1)	--
$1.82 Series	22.50
$1.7625 Series(1)	--

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(1) Not listed or publicly traded.

There is no public market as yet for ParentCo Common Stock.

EXCHANGE OF STOCK CERTIFICATES NOT REQUIRED

If the proposed restructuring is carried out, it will not be necessary for holders of SDG&E Common Stock to exchange their existing stock certificates for stock certificates of ParentCo. Holders of SDG&E Common Stock will automatically become holders of ParentCo Common Stock on a share-for-share basis, and the present stock certificates for SDG&E Common Stock will automatically represent shares of ParentCo Common Stock.

After the restructuring, as presently outstanding certificates are presented for transfer, new certificates bearing the name of SDO Parent Co., Inc. (or a name which may be substituted for SDO Parent Co., Inc. prior to consummation of the Merger) will be issued. New certificates of ParentCo will also be issued in exchange for old certificates of SDG&E upon the request of any Shareholder. Certificates presented for transfer to a name other than that in which the surrendered certificate is registered must be properly endorsed, with the signature guaranteed, and accompanied by evidence of payment of any applicable stock transfer taxes.

FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

SDG&E and ParentCo have been advised by their counsel, Pillsbury Madison & Sutro, that:

(1) No gain or loss will be recognized by the holders of shares of SDG&E Common Stock on the receipt of shares of ParentCo Common Stock solely in exchange for shares of SDG&E Common Stock.

(2) The basis of shares of ParentCo Common Stock received by the holders of shares of SDG&E Common Stock will be the same as the basis of the shares of SDG&E Common Stock exchanged for them.

(3) As to each holder of shares of SDG&E Common Stock who held his or her shares as a capital asset, the holding period of shares of ParentCo Common Stock will include the holding period of the shares of SDG&E Common Stock exchanged for them.

(4) No gain or loss will be recognized by ParentCo upon the issuance of shares of ParentCo Common Stock in exchange for shares of SDG&E Common Stock.

The advice of Pillsbury Madison & Sutro summarized above is conditioned on the receipt by SDG&E of a private letter ruling from the Internal Revenue Service to the effect that (i) the formation of MergeCo and the Merger will be disregarded for federal income tax purposes, and (ii) the transaction will be treated as a transfer by the holders of SDG&E Common Stock of such SDG&E Common Stock to ParentCo solely in exchange for an equal number of shares of ParentCo Common Stock. SDG&E has applied for, but not yet received, such a ruling. SDG&E reserves the right to proceed with the Merger and related restructuring in the absence of such a ruling if, in the opinion of SDG&E's management, all necessary approvals in connection with the Merger have been obtained and Pillsbury Madison & Sutro removes receipt of such a ruling as a condition to its opinion.

Holders of SDG&E Common Stock or SDG&E Cumulative Preferred Stock who contemplate dissenting from the Merger should consult with their tax advisors concerning the tax consequences of that action.

The United States federal income tax discussion set forth above is based upon current law and is intended for general information only. The foregoing is not intended to be a comprehensive discussion of all possible federal income tax consequences of the Merger. Furthermore, the registration statement of which this Proxy Statement and Prospectus is a part does not provide information regarding the tax consequences of the Merger under the tax laws of any state or of any local or foreign jurisdiction. Holders of SDG&E Common Stock are urged to consult their own tax advisors with respect to specific tax consequences of the Merger.

LEGAL OPINION

Pillsbury Madison & Sutro, as counsel for SDG&E and ParentCo, has rendered an opinion (filed as an exhibit to the registration statement of which this Proxy Statement and Prospectus is a part) to the effect that the ParentCo Common Stock offered in this Proxy Statement and Prospectus will be validly issued, fully paid and nonassessable.

ITEM NO. 3--AMENDMENT OF 1986 LTIP
(ITEM 3 ON COMMON STOCK AND CUMULATIVE PREFERRED STOCK PROXY CARDS)

GENERAL

On October 24, 1994, the Board of Directors amended, restated and extended SDG&E's 1986 Long-Term Incentive Plan (the "LTIP") subject to approval by the Shareholders at the Annual Meeting to: (i) extend the term until April 24, 2005; (ii) include technical changes to conform the LTIP to certain deductibility requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), as described below and to Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (iii) add provisions for the automatic grant of 300 shares of SDG&E Common Stock per year to each non-employee Director (to become shares of parent holding company common stock if the proposed formation of a holding company structure for SDG&E is approved and implemented); and (iv) make certain other, technical changes.

These changes will be effective upon their approval by the Shareholders. The amendment, restatement and extension of the LTIP does not increase the number of shares available for grant under the LTIP above the number previously approved by the Shareholders.

In 1993, the Code was amended to add Section 162(m). Section 162(m) places a limit of $1,000,000 on the amount of compensation that may be deducted by SDG&E in any tax year with respect to each of

SDG&E's highest paid executives, including compensation relating to exercise of LTIP awards. However, such compensation arising from stock options and stock appreciation rights is not subject to the limit and may be deducted if certain limitations approved by the Shareholders are applied to awards granted to executives. In order to permit deductibility of compensation relating to certain types of awards granted to executive officers, SDG&E is requesting the Shareholders to approve the amendments to the LTIP relative to Section 162(m) at the Annual Meeting.

PURPOSE

The purpose of the amended and restated LTIP is to promote the interests of SDG&E and its Shareholders by encouraging key individuals to acquire stock or to increase their proprietary interest in SDG&E. By providing the opportunity to acquire stock or receive other incentives, SDG&E seeks to attract and retain those key employees upon whose judgment, initiative and leadership the success of SDG&E largely depends. While the number of individuals receiving discretionary grants under the LTIP has declined in recent years, and the maximum number of shares available for award (which has remained constant since inception) is modest in comparison to the total number of shares of SDG&E Common Stock outstanding, the Board of Directors believes that the LTIP remains an important means of compensating key employees.

SHARES SUBJECT TO LTIP

There are 2,700,000 shares of SDG&E Common Stock reserved for issuance under the amended and restated LTIP. As of the Record Date, 2,201,540 shares of SDG&E Common Stock remained available for issuance.

DESCRIPTION OF LTIP

The full text of the amended and restated LTIP, substantially in the form in which it will take effect if the modifications are approved by the Shareholders, is set forth as Exhibit D to this Proxy Statement and Prospectus. The following summary of the principal features of the LTIP is subject to, and qualified in its entirety by, the specific terms of the LTIP, Exhibit D.

Administration

The LTIP will be administered by a Committee. Currently the Committee consists of the Executive Compensation Committee of the Board of Directors (presently comprising D. W. Derbes, C. T. Fitzgerald, R. H. Goldsmith and T. C. Stickel). The Board of Directors may fill vacancies from time to time to remove or add members. All members of the Committee must be disinterested persons under Rule 16b-3 of the Exchange Act ("Rule 16b-3"). Modifications reflected in the LTIP will permit members of the Committee to receive automatic annual grants of Common Stock in accordance with Rule 16b-3, as described below.

The Committee selects those employees of SDG&E or its subsidiaries who will be eligible to receive awards under the LTIP. Currently there are 11 employees participating in the LTIP. The LTIP provides that the Committee may grant to eligible individuals any combination of nonqualified stock options, incentive stock options, restricted stock, stock appreciation rights, performance awards, stock payments or dividend equivalents. Each grant will be memorialized in a separate agreement with the person receiving the grant. This agreement will indicate the type and terms of the award. The participation of non-employee Directors of SDG&E is limited to automatic annual grants of SDG&E Common Stock, as described below.

Non-Employee Director Formula Grants

Non-employee Directors are not eligible to receive awards under the LTIP other than an annual grant of 300 shares of Common Stock (subject to anti-dilution adjustments). These grants are designed to comply with the provisions of Rule 16b-3 and are made at the conclusion of each regular annual meeting of

Shareholders to incumbent non-employee Directors who will continue to serve on the Board of Directors thereafter. The shares of Common Stock will be issued for past service by the non-employee Directors and without payment of any purchase price. Partial year service will be prorated accordingly. Assuming the amendment and restatement of the LTIP is approved by the Shareholders, each incumbent non-employee Director will receive a grant of up to 300 shares of Common Stock effective upon the conclusion of the Annual Meeting and based upon service during the prior year.

Stock Options

Nonqualified stock options will provide for the right to purchase shares of Common Stock at a price which is not less than 100% of the fair market value of the Common Stock subject to the option on the effective date of the grant. These options will be granted for a term which may not exceed ten years.

Incentive stock options will be designed to comply with the provisions of the Code, and will be subject to restrictions contained in the Code. Incentive stock options will be granted with an exercise price of not less than 100% of the fair market value of the Common Stock subject to the option on the date of grant and will extend for a term of up to ten years. Incentive stock options granted to persons who own more than 10% of the combined voting power of SDG&E's outstanding securities must be granted at prices which are not less than 110% of fair market value on the date of grant and may not extend for more than five years from the date of grant. The closing price per share of SDG&E Common Stock as reported on the New York Stock Exchange on February 24, 1995 was $21.125.

The option exercise price must be paid in full at the time of exercise. The price may be paid in cash or, as acceptable to the Committee, by loan made by SDG&E to the participant, by arrangement with a broker where payment of the option price is guaranteed by the broker, by the surrender of shares of SDG&E owned by the participant exercising the option and having a fair market value on the date of exercise equal to the option price, or by any combination of the foregoing equal to the option price.

Options for employees will have such other terms and be exercisable in such manner and at such times as the Committee may determine. An option agreement for an employee may provide for accelerated exercisability in the event of the employee's death, disability or retirement or other events in accordance with policies established by the Committee.

The Committee may, at any time prior to exercise and subject to consent of the participant, amend, modify or cancel any options previously granted and may or may not substitute in their place options at a different price and of a different type under different terms or in different amounts.

Restricted Stock

Restricted stock may be granted or sold to employees for prices determined by the Committee (subject to a minimum of $2.50 per share) and subject to such restrictions as may be appropriate. It is anticipated that restricted stock would be forfeited and would be resold to SDG&E at cost in the event that "vesting" is not achieved by virtue of seniority or performance or other criteria. In general, restricted shares may not be sold, transferred or hypothecated until restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, will have voting rights and will receive dividends prior to the time when the restrictions lapse.

Stock Appreciation Rights

Stock appreciation rights ("SARs") may be granted in tandem with stock options or separately. If SARs are granted in tandem with options, the options may be either nonqualified or incentive stock options. SARs granted by the Committee in tandem with stock options will provide for payments to grantees based upon increases in the price of the Common Stock over the exercise price of the related option. The SARs will

provide that the holder of the SARs may exercise the SARs or the option in whole or in part, but the aggregate exercise may not cover more than the aggregate number of shares upon which the value of the SARs is based. SARs granted in tandem with options may not extend beyond the term of the related option. SARs will be transferable only to the extent that the related option is transferable. The Committee may elect to pay SARs in cash or in Common Stock or in a combination of cash and Common Stock.

SARs which are issued separately from options will provide for payments based upon increases in the price of the Common Stock over the fair market value of the Common Stock or the book value of the Common Stock on the date of grant. The Committee will determine whether fair market value or book value will be the appropriate measure. As with other SARs, upon exercise the Committee may determine to pay the SARs in cash or in Common Stock or in a combination of cash and Common Stock.

Performance Awards, Common Stock Payments and Dividend Equivalents

Performance awards may be granted by the Committee on an individual basis. Generally these awards will be paid in cash and will be based upon specific agreements.

The Committee may approve a payment in Common Stock to any employee who otherwise may be entitled to a cash payment other than base salary (e.g., a bonus). Similarly, the Committee may award shares as dividend equivalents with respect to grants of options or SARs.

Section 162(m)

In order to permit maximum deductibility of compensation relating to awards of stock options and SARs, a limitation has been imposed upon the number of such awards which may be made under the LTIP. Specifically, no more than an aggregate of 270,000 shares of Common Stock shall be subject to stock options and SARs that are granted under the amended and restated LTIP to any one employee on or before April 24, 2005. A maximum of 2,700,000 shares have been authorized for award under the amended and restated LTIP, of which 2,201,540 shares remained available for issuance as of the Record Date.

Other Provisions

The amended and restated LTIP contains customary provisions relating to adjustments for increases or decreases in the number and kind of SDG&E's securities. The Committee may periodically adopt rules and regulations for purposes of carrying out the amended and restated LTIP.

The amended and restated LTIP will expire on April 24, 2005, unless it is terminated before then by the Board of Directors.

The Board of Directors may amend, suspend or terminate the amended and restated LTIP at any time without further action of the Shareholders except as required by applicable law.

FEDERAL INCOME TAX CONSEQUENCES

The following discussion of the federal income tax consequences of the amended and restated LTIP as it relates to nonqualified stock options, incentive stock options and share awards is intended to be a summary of applicable federal law. State and local tax consequences may differ.

Options

Incentive stock options and nonqualified stock options are treated differently for federal income tax purposes. Incentive stock options are intended to comply with the requirements of Section 422 of the Code. Nonqualified stock options need not comply with such requirements.

An optionee is not taxed on the grant or exercise of an incentive stock option. The difference between the exercise price and the fair market value of the shares on the exercise date will, however, be a preference item for purposes of the alternative minimum tax. If an optionee holds the shares acquired upon exercise of an incentive stock option for at least two years following grant and at least one year following exercise, the optionee's gain, if any, upon a subsequent disposition of such shares is long-term capital gain. The measure of the gain is the difference between the proceeds received on disposition and the optionee's basis in the shares (which generally equals the exercise price). If an optionee disposes of stock acquired pursuant to exercise of an incentive stock option before satisfying the one and two-year holding periods described above, the optionee will recognize both ordinary income and capital gain in the year of disposition. The amount of the ordinary income will be the lesser of (i) the amount realized on disposition less the optionee's adjusted basis in the stock (usually the option price) or (ii) the difference between the fair market value of the stock on the exercise date and the option price. The balance of the consideration received on such a disposition will be long-term capital gain if the stock had been held for at least one year following exercise of the incentive stock option. SDG&E is not entitled to an income tax deduction on the grant or exercise of an incentive stock option or on the optionee's disposition of the shares after satisfying the holding period requirement described above. If the holding periods are not satisfied, SDG&E will be entitled to a deduction in the year the optionee disposes of the shares, in an amount equal to the ordinary income recognized by the optionee.

An optionee is not taxed on the grant of a nonqualified stock option. On exercise, however, the optionee recognizes ordinary income equal to the difference between the option price and the fair market value of the shares on the date of exercise. SDG&E is entitled to an income tax deduction in the year of exercise in the amount recognized by the optionee as ordinary income. Any gain on subsequent disposition of the shares is long-term capital gain if the shares are held for at least one year following exercise. SDG&E does not receive a deduction for this gain.

Share Awards

If a participant is awarded or purchases shares, the amount by which the fair market value of the shares on the date of award or purchase exceeds the amount paid for the shares will be taxed to the participant as ordinary income. SDG&E will be entitled to a deduction in the same amount provided it makes all required withholdings on the compensation element of the sale or award. The participant's tax basis in the shares acquired is equal to the share's fair market value on the date of acquisition. Upon a subsequent sale of any shares, the participant will realize capital gain or loss (long-term or short-term, depending on whether the shares were held for more than one year before the sale) in an amount equal to the difference between his or her basis in the shares and the sale price.

If a participant is awarded or purchases shares that are subject to a vesting schedule, the participant is deemed to receive an amount of ordinary income equal to the excess of the fair market value of the shares at the time they vest over the amount (if any) paid for such shares by the participant. SDG&E is entitled to a deduction equal to the amount of the income recognized by the participant.

Code Section 83(b) permits a participant to elect, within 30 days after the transfer of any shares subject to a vesting schedule to him or her, to be taxed at ordinary income rates on the excess of the fair market value of the shares at the time of the transfer over the amount (if any) paid by the participant for such shares. Withholding taxes apply at that time. If the participant makes a Section 83(b) election, any later appreciation in the value of the shares is not taxed as ordinary income, but instead is taxed as capital gain when the shares are sold or transferred.

Grants of shares to non-employee Directors are deemed subject to a vesting schedule for six months from the date of grant, and absent a Section 83(b) election to be taxed on the date of grant, the shares will not be taxed until six months from the date of grant. The shares are deemed subject to a vesting schedule because of the "short-swing profits" provisions of Section 16(b) of the Exchange Act. No withholding taxes apply to shares granted to non-employee Directors.

AMENDED LTIP BENEFITS

The Committee has full discretion to determine the number, type and value of awards to be granted to key employees under the LTIP. Therefore, the benefits and amounts that will be received by each of the named executive officers, the executive officers as a group and all other key employees are not determinable. Details on incentive awards granted during the last three years to the named executive officers are presented above under "Item No. 1--Election of Directors--Executive Compensation and Transactions with Management and Others,--Summary Compensation Table and--1986 Long-Term Incentive Plan."

The number of shares of Common Stock to be received by each non-employee Director is fixed under the LTIP, as discussed above, and may not be amended more frequently than once every six months.

COMPANY RECOMMENDATION

THE BOARD HAS UNANIMOUSLY APPROVED THE AMENDED AND RESTATED LTIP AND RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE APPROVAL OF THE AMENDED AND RESTATED LTIP.

In order to be adopted, the amended and restated LTIP must be approved by a majority of the combined classes of SDG&E Common Stock and SDG&E Cumulative Preferred Stock present, or represented, and entitled to vote at the Annual Meeting, with each share of SDG&E Common Stock being entitled to one vote and each share of SDG&E Cumulative Preferred Stock being entitled to two votes. An abstention, or shares represented by proxies which are marked "ABSTAIN," will have the same effect as a vote against the proposal. The failure of a broker or other nominee to vote shares for a beneficial owner will have no effect on the proposal.

EFFECT OF IMPLEMENTATION OF HOLDING COMPANY STRUCTURE

Upon completion of the reorganization of SDG&E as a subsidiary of a parent holding company, such parent holding company will assume and continue the amended and restated LTIP and all of the shares of SDG&E Common Stock set aside under the LTIP will become shares of common stock of such parent holding company. By approving the formation of a parent holding company, the Shareholders will be deemed to have approved the actions necessary to effect the assumption of the LTIP by such parent holding company.

ITEM NO. 4--SHAREHOLDER PROPOSAL
(ITEM 4 ON COMMON STOCK AND CUMULATIVE PREFERRED STOCK PROXY CARDS)

SDG&E has received the following shareholder proposal submitted in accordance with the rules of the SEC. This proposal will be voted upon at the Annual Meeting if properly presented by the proposing shareholders or their qualified representative. To be approved, the proposal must receive the affirmative vote of a majority of the outstanding shares of SDG&E Common Stock and SDG&E Cumulative Preferred Stock represented and voting at the Annual Meeting (with shares of SDG&E Common Stock having one vote per share and shares of SDG&E Cumulative Preferred Stock having two votes per share).

The proposal and supporting statement are presented as received by SDG&E, and the Board of Directors disclaims any responsibility for their content. The Board of Directors recommends a vote "AGAINST" the proposal for the reasons stated in the opposition statement following the proposal. The name and address of and number of shares represented to be held by the proposing shareholders will be furnished by SDG&E to any Shareholder promptly upon receipt of any oral or written request to the Secretary of SDG&E.

SHAREHOLDER PROPOSAL

"RESOLVED: That the shareholders recommend that the Board of Directors institute the additional criteria that shareholders must receive a total return of 9% in the fiscal year before any consideration is given to officer options and bonus."

"Reasons: Under the present system the officers may be awarded options at $2.50 a share, and thus make a substantial profit even when the shareholders have a negative return. The Directors have set a criteria for bonus and option award that cannot be evaluated by the shareholders."

COMPANY OPPOSITION STATEMENT

The Board agrees that the compensation of SDG&E's officers should be tied to the financial performance of the Company. Indeed, the Company's current long and short-term incentive compensation programs are based upon achievement of financial and operational goals, which in turn, enhance shareholder value. For the reasons discussed below, however, the Board does not believe that total return to shareholders is an appropriate criteria for officer compensation.

Two components impact shareholder return: dividends and appreciation in the market price of the Company's stock. Dividends clearly depend on the financial performance of the Company. Stock price, however, is subject to varying economic, industry and market forces which are totally outside the scope of management's control. These divergent forces can and do cause significant price changes, up and down, among various stocks and stock groups.

Although previous goals under the Company's Long-Term Incentive Plan (LTIP) have included total shareholder return, your Board no longer uses it to determine incentive compensation. A total shareholder return goal can operate capriciously to penalize or reward management and can do so for reasons entirely beyond management's control. The Board believes that its existing compensation programs, which are tied to specific performance goals including earnings growth, provide the right type of incentive for the Company's officers.

The Board urges each shareholder to review the more full discussion of the Company's executive compensation programs and its "pay for performance" approach included above in this Proxy Statement and Prospectus (see "Item No. 1--Election of Directors--Executive Compensation and Transactions with Management and Others" and "--Report of the Executive Compensation Committee").

FOR THESE REASONS, THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE "AGAINST" THIS PROPOSAL. Proxies received will be voted against this proposal unless a contrary choice is specified.

EXPERTS/RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANT

The consolidated financial statements and the related financial statement schedules as of December 31, 1994 and 1993 and for each of the three years in the period ended December 31, 1994, incorporated in this Proxy Statement and Prospectus by reference from the Company's Annual Report on Form 10-K for 1994, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference (which report contains an emphasis paragraph referring to the Company's consideration of alternative strategies for its 80 percent owned subsidiary, Wahlco Environmental Systems, Inc.), and has been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

Deloitte & Touche LLP (or its predecessor firm, Deloitte Haskins & Sells) has been employed regularly by SDG&E for many years to audit its financial statements and for other purposes. Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting. They will have the opportunity to make a statement, if they so desire, and will respond to appropriate questions from Shareholders.

ANNUAL REPORT AND AVAILABILITY OF FORM 10-K

SDG&E's 1994 Annual Report to Shareholders accompanies this Proxy Statement and Prospectus. SDG&E's Annual Report to the SEC on Form 10-K for 1994, which is incorporated into this Proxy Statement and Prospectus by reference, will be provided to Shareholders, without charge, upon written request to N. A. Peterson, Office of the Secretary, San Diego Gas & Electric Company, P.O. Box 1831, San Diego, California 92112-4150.

SHAREHOLDER PROPOSALS FOR 1996 ANNUAL MEETING

Proposals that Shareholders may wish to have included in the proxy materials relating to the next annual meeting must be received by SDG&E by November 10, 1995. If the Merger has been effected prior to such time, shareholder proposals should be addressed to ParentCo.

PROXY SOLICITATIONS

In addition to the original solicitation by mail, some of the officers and regular employees of SDG&E may solicit proxies by personal visits, telephone or mail without receiving compensation in addition to their regular salaries. SDG&E anticipates that the expense associated with these solicitation efforts will be nominal. SDG&E will reimburse brokerage firms and other securities' custodians for reasonable expenses incurred by them in forwarding proxy material to beneficial owners of stock.

SDG&E has also retained Georgeson & Co., Inc., a proxy solicitation firm, to assist in the solicitation of proxies at an estimated cost of $12,000 plus disbursements. All costs associated with this solicitation will be borne by SDG&E.

OTHER BUSINESS TO BE BROUGHT BEFORE THE ANNUAL MEETING

The Board of Directors does not know of any matters that will be presented for action at the Annual Meeting other than the matters described above. However, if any other matters properly come before the Annual Meeting, the holders of proxies solicited by the Board of Directors will vote on those matters in accordance with their judgment, and discretionary authority to do so is included in the proxy.

By order of the Board of Directors
N. A. Peterson
Senior Vice President,
General Counsel and Secretary

San Diego, California
March 10, 1995

EXHIBIT A

AGREEMENT OF MERGER

THIS AGREEMENT OF MERGER ("Agreement") is made as of [ ], 1995, by and among SAN DIEGO GAS & ELECTRIC COMPANY, a California corporation ("SDG&E"), SAN DIEGO MERGER COMPANY, a California corporation ("MergeCo"), and SDO PARENT CO., INC., a California corporation ("ParentCo"), with reference to the following facts:

A. SDG&E has authorized capital consisting of (i) 255 million shares of Common Stock, without par value ("SDG&E Common Stock"), of which approximately 116,541,000 shares are issued and outstanding; (ii) 1,375,000 shares of Cumulative Preferred Stock, $20 par value ("Cumulative Preferred Stock"), of which 1,374,650 shares (consisting of four separate series) are issued and outstanding; and (iii) 10 million shares of Preference Stock (Cumulative), without par value ("Preference Stock"), of which 3,190,000 shares (consisting of four separate series) are issued and outstanding.

B. MergeCo has authorized capital consisting of 1000 shares of Common Stock ("MergeCo Common Stock"), of which 100 shares are issued and outstanding and owned beneficially and of record by ParentCo.

C. ParentCo has authorized capital consisting of 300 million shares of Common Stock ("ParentCo Common Stock"), of which 100 shares are issued and outstanding and owned beneficially and of record by SDG&E, and 30 million shares of Preferred Stock, none of which have been issued.

D. The Boards of Directors of the respective parties hereto deem it advisable to merge MergeCo with and into SDG&E (the "Merger") in accordance with the California General Corporation Law ("California GCL") and this Agreement for the purpose of establishing ParentCo as the parent corporation for SDG&E in a transaction intended to qualify for tax-free treatment.

NOW, THEREFORE, in consideration of the premises and agreements contained herein, the parties agree that (i) MergeCo shall be merged with and into SDG&E (the "Merger"), (ii) SDG&E shall be the corporation surviving the Merger, and (iii) the terms and conditions of the Merger, the mode of carrying it into effect, and the manner of converting and exchanging shares of capital stock shall be as follows:

ARTICLE 1

THE MERGER

1.1 Officers' Certificates. Subject to and in accordance with the provisions of this Agreement, officers' certificates of SDG&E and MergeCo (the "Officers' Certificates") shall be signed and verified and thereafter delivered, together with a copy of this Agreement, to the office of the Secretary of State of California for filing, all as provided in Section 1103 of the California GCL.

1.2 Effective Time. The Merger shall become effective at 11:59 p.m. on the last day of the calendar month during which the Officers' Certificates and this Agreement are filed with the Secretary of State of California as contemplated by Section 1.1 above (the "Effective Time"). At the Effective Time, the separate existence of MergeCo shall cease and MergeCo shall be merged with and into SDG&E, which shall continue its corporate existence as the surviving corporation (SDG&E and MergeCo being sometimes referred to herein as the "Constituent Corporations" and SDG&E, as the surviving corporation, being sometimes referred to herein as the "Surviving Corporation"). SDG&E shall succeed, without other transfer, to all the rights and property of MergeCo and shall be subject to all the debts and liabilities of MergeCo in the same manner as if SDG&E had itself incurred them. All rights of creditors and all liens upon the property of each of SDG&E and MergeCo shall be preserved unimpaired.

1.3 Appropriate Actions. Prior to and after the Effective Time, ParentCo, SDG&E and MergeCo, respectively, shall take all such actions as may be necessary or appropriate in order to effectuate the Merger. In this connection, ParentCo shall issue the shares of ParentCo Common Stock into which outstanding shares of SDG&E Common Stock will be converted on a share-for-share basis to the extent provided in Article 2 of this Agreement. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full title to all properties, assets, privileges, rights, immunities and franchises of either of the Constituent Corporations, the officers and directors of each of the Constituent Corporations as of the Effective Time shall take all such further action.

ARTICLE 2

TERMS OF CONVERSION AND EXCHANGE OF SHARES

At the Effective Time:

2.1 SDG&E Common Stock. Each share of SDG&E Common Stock issued and outstanding immediately prior to the Merger shall be automatically changed and converted into one share of ParentCo Common Stock, which shall thereupon be issued and fully-paid and non-assessable; provided, however, that such conversion shall not affect shares of holders, if any, who perfect their rights as dissenting shareholders under Chapter 13 of the California GCL.

2.2 SDG&E Preferred Stock. Shares of the Cumulative Preferred Stock and Preference Stock of SDG&E issued and outstanding immediately prior to the Merger shall not be converted or otherwise affected by the Merger. Each such share shall continue to be (i) issued and outstanding and (ii) a fully-paid and nonassessable share (of Cumulative Preferred Stock or Preference Stock, as the case may be) of the Surviving Corporation.

2.3 MergeCo Shares. The shares of MergeCo Common Stock issued and outstanding immediately prior to the Merger shall be automatically changed and converted into all of the issued and outstanding shares of Common Stock of the Surviving Corporation, which shall thereupon be issued and fully-paid and nonassessable, with the effect that the number of issued and outstanding shares of Common Stock of the Surviving Corporation shall be the same as the number of issued and outstanding shares of SDG&E Common Stock immediately prior to the Effective Time.

2.4 ParentCo Shares. Each share of ParentCo Common Stock issued and outstanding immediately prior to the Merger shall be canceled.

ARTICLE 3

ARTICLES OF INCORPORATION AND BYLAWS

3.1 SDG&E's Restated Articles. From and after the Effective Time, and until thereafter amended as provided by law, the Restated Articles of Incorporation, as amended, of SDG&E as in effect immediately prior to the Merger shall be and continue to be the Restated Articles of Incorporation, as amended, of the Surviving Corporation.

3.2 SDG&E's Bylaws. From and after the Effective Time, and until thereafter amended as provided by law, the Bylaws of SDG&E as in effect immediately prior to the Merger shall be and continue to be the Bylaws of the Surviving Corporation.

ARTICLE 4

DIRECTORS AND OFFICERS

The persons who are directors and officers of SDG&E immediately prior to the Merger shall continue as directors and officers, respectively, of the Surviving Corporation and shall continue to hold office as provided in the Bylaws of the Surviving Corporation. If, at or following the Effective Time, a vacancy shall exist in the

Board of Directors or in the position of any officer of the Surviving Corporation, such vacancy may be filled in the manner provided in the Bylaws of the Surviving Corporation.

ARTICLE 5

STOCK CERTIFICATES

5.1 Pre-Merger SDG&E Common. Following the Effective Time, each holder of an outstanding certificate or certificates theretofore representing shares of SDG&E Common Stock may, but shall not be required to, surrender the same to ParentCo for cancellation or transfer, and each such holder or transferee will be entitled to receive a certificate or certificates representing the same number of shares of ParentCo Common Stock as the shares of SDG&E Common Stock previously represented by the stock certificate(s) surrendered.

5.2 Outstanding Certificates. Until surrendered or presented for transfer in accordance with Section 5.1 above, each outstanding certificate which, prior to the Effective Time, represented SDG&E Common Stock shall be deemed and treated for all corporate purposes to represent the ownership of the same number of shares of ParentCo Common Stock as though such surrender or transfer and exchange had taken place.

5.3 SDG&E Stock Transfer Books. The stock transfer books for SDG&E Common Stock shall be deemed to be closed at the Effective Time and no transfer of shares of SDG&E Common Stock outstanding prior to the Effective Time shall thereafter be made on such books.

5.4 Post-Merger Rights of Holders. Following the Effective Time, the holders of certificates representing SDG&E Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to stock of the Surviving Corporation and their sole rights shall be with respect to the ParentCo Common Stock into which their shares of SDG&E Common Stock shall have been converted by the Merger.

ARTICLE 6

CONDITIONS OF THE MERGER

Completion of the Merger is subject to the satisfaction of the following conditions:

6.1 Shareholder Approval. The principal terms of this Agreement shall have been approved by such holders of capital stock of each of the Constituent Corporations as is required by the California GCL.

6.2 SDG&E Preferred Vote. The principal terms of this Agreement shall have been approved by the holders of at least two-thirds of the combined outstanding shares of Cumulative Preferred Stock and Preference Stock.

6.3 ParentCo Common Stock Listed. The ParentCo Common Stock to be issued and to be reserved for issuance pursuant to the Merger shall have been approved for listing, upon official notice of issuance, by the New York Stock Exchange.

ARTICLE 7

AMENDMENT AND TERMINATION

7.1 Amendment. The parties to this Agreement, by mutual consent of their respective boards of directors, may amend, modify or supplement this Agreement in such manner as may be agreed upon by them in writing at any time before or after approval of this Agreement by the pre-Merger shareholders of SDG&E (as provided in Sections 6.1 and 6.2 above); provided, however, that no such amendment, modification or supplement shall, if agreed to after such approval by the pre-Merger shareholders of SDG&E, change any of the principal terms of this Agreement.

7.2 Termination. This Agreement may be terminated and the Merger and other transactions provided for by this Agreement may be abandoned at any time, whether before or after approval of this Agreement by the pre-Merger shareholders of SDG&E, by action of the board of directors of SDG&E if such board of directors determines for any reason that the completion of the transactions provided for herein would for any reason be inadvisable or not in the best interests of SDG&E or its shareholders.

ARTICLE 8

MISCELLANEOUS

8.1 Approval of ParentCo Shares. By its execution and delivery of this Agreement, SDG&E, as the sole pre-Merger shareholder of ParentCo, consents to, approves and adopts this Agreement and approves the Merger, subject to approval of this Agreement by the pre-Merger shareholders of SDG&E (as provided in Sections 6.1 and 6.2 above).

8.2 Approval of MergeCo Shares. By its execution and delivery of this Agreement, ParentCo, as the sole pre-Merger shareholder of MergeCo, consents to, approves and adopts this Agreement and approves the Merger, subject to approval of this Agreement by the pre-Merger shareholders of SDG&E (as provided in Sections 6.1 and 6.2 above).

8.3 No Counterparts. This agreement may not be executed in counterparts.

IN WITNESS WHEREOF, SDG&E, ParentCo and MergeCo, pursuant to approval and authorization duly given by resolutions adopted by their respective boards of directors, have each caused this Agreement to be executed by its chairman of the board or its president or one of its vice presidents and by its secretary or one of its assistant secretaries.

SDG&E:
San Diego Gas & Electric Company,
a California corporation

By: _____

Its: _____

By: _____

Its: _____

ParentCo:
SDO Parent Co., Inc.,
a California corporation

By: _____

Its: _____

By: _____

Its: _____

MergeCo:
San Diego Merger Company,
a California corporation

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT B

RESTATED ARTICLES OF INCORPORATION
OF
SDO PARENT CO., INC.

FIRST: The name of the Corporation is SDO Parent Co., Inc.

SECOND: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

THIRD: Stock.

A. The Corporation is authorized to issue two classes of shares, to be designated respectively Preferred Stock ("Preferred Stock") and Common Stock ("Common Stock"). The total number of shares of capital stock that the Corporation is authorized to issue is 330,000,000, of which 30,000,000 shall be Preferred Stock and 300,000,000 shall be Common Stock.

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the "Board of Directors") is expressly authorized to provide for the issue of all or any of the shares of the Preferred Stock in one or more series, and to fix the designation and number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such shares and as may be permitted by the General Corporation Law of California. The Board of Directors is also expressly authorized to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series. If the number of shares of any such series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

FOURTH: Directors.

A. The authorized number of directors of the Corporation shall not be fewer than nine (9) nor more than thirteen (13). The exact authorized number of directors shall be fixed from time to time, within the limits specified in this Article FOURTH, by resolution of the Board of Directors, or by a bylaw or amendment thereof duly adopted by the Board of Directors or the affirmative vote of the holders of shares representing at least 66 2/3% of the outstanding shares of the Corporation entitled to vote.

B. The Board of Directors shall be divided into three classes, designated Class I, Class II and Class III, as nearly equal in number as possible, and the term of office of directors of one class shall expire at each annual meeting of shareholders, but in all cases continue as to each director until his or her successor shall be elected and shall qualify or until his or her earlier resignation, removal from office, death or incapacity. Additional directorships resulting from an increase in number of directors shall be apportioned among the classes as equally as possible. The initial terms of office shall be determined by resolution duly adopted by the Board of Directors. At each annual meeting of shareholders the number of directors equal to the number of directors of the class whose term expires at the time of such meeting (or, if fewer, the number of directors properly nominated and qualified for election) shall be elected to hold office until the third succeeding annual meeting of shareholders after their election. This Paragraph B of this Article FOURTH shall become effective only when the Corporation shall have become a "listed corporation" within the meaning of section 301.5 of the California Corporations Code.

C. Vacancies in the Board of Directors, including, without limitation, vacancies created by the removal of any director, may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director.

FIFTH: No shareholder may cumulate votes in the election of directors. This Article FIFTH shall become effective only when the Corporation shall have become a "listed corporation" within the meaning of section 301.5 of the California Corporations Code.

SIXTH: Unless the Board of Directors, by a resolution adopted by 66 2/3% of the authorized number of directors, waives the provisions of this Article SIXTH in any particular circumstance, any action required or permitted to be taken by shareholders of the Corporation must be taken either (i) at a duly called annual or special meeting of shareholders of the Corporation or (ii) by the unanimous written consent of all of the shareholders.

SEVENTH: Fair Price.

A. REQUIRED SHAREHOLDER VOTE FOR CERTAIN TRANSACTIONS.

Unless all of the conditions set forth in either Subsection 1 or 2 of Section B of this Article SEVENTH have been fulfilled, any agreement, contract, transaction or other arrangement providing for or resulting in a Business Combination must be approved by the affirmative vote of 66 2/3% of the number of shares of Common Stock outstanding at the time voting as a separate class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required by law or these Articles or that a lesser percentage, different or additional vote may be specified by law, these Articles, or in any agreement with any national securities exchange or otherwise, in which case each vote requirement shall be satisfied individually.

B. EXCEPTIONS.

Section A of this Article SEVENTH shall not apply to any Business Combination if the conditions specified in either Subsection 1 or 2 below are met.

1. The Business Combination shall have been approved by a resolution adopted by 66 2/3% of the authorized number of directors of the Corporation, or

2. All of the following conditions have been met:

a. Any consideration to be received for any stock as a result of the Business Combination shall be in cash or in the same form as a Dominant Shareholder has previously paid for shares of that class. If varying forms of consideration have been used, the form of consideration shall be the form used to acquire the largest number of shares of the class receiving consideration.

b. The aggregate amount of cash and the fair market value of any other form of consideration shall, on a per share basis, be at least equal to the Highest Purchase Price paid by a Dominant Shareholder for shares of the same class.

c. After such Dominant Shareholder has become a Dominant Shareholder and prior to the consummation of such Business Combination:

(1) There shall have been no failure to declare and pay in full at the regular rate any periodic dividends on any outstanding preferred stock unless such failure is approved by 66 2/3% of the authorized number of directors of the Corporation;

(2) There shall have been no reduction in the quarterly rate of dividends, if any, paid on common shares (such rate to be appropriately adjusted to reflect the occurrence of any reclassification, reverse stock split, recapitalization, reorganization or other similar transaction having the effect of changing the number of outstanding common shares) unless such reduction is approved by 66 2/3 of the authorized number of directors of the Corporation; and

(3) Neither a Dominant Shareholder nor an Affiliate thereof shall have acquired Beneficial Ownership of any additional shares of voting stock of the Corporation except as part of a transaction which has been approved by a resolution adopted by 66 2/3% of the authorized number of directors.

3. Definitions.

a. "Affiliate" means: a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person.

b. "Beneficial Ownership" means: ownership; holding the right to vote pursuant to any agreement, arrangement or understanding; having the right to acquire pursuant to any agreement, arrangement, understanding, option, right, warrant or right of conversion; having the right to dispose of pursuant to any agreement, arrangement or understanding; having the right to receive money (e.g., dividends, redemption proceeds or proceeds from any sale) pursuant to any agreement, arrangement or understanding; and Beneficial Ownership (pursuant to the foregoing provisions of this definition) by an Affiliate or by an officer, director or employee of a Dominant Shareholder or any Affiliate of such an officer, director or employee.

c. "Business Combination" means: (1) a merger or consolidation of the Corporation or any Subsidiary with a Dominant Shareholder or with any other corporation or entity which is, or after such merger or consolidation would be, an Affiliate of a Dominant Shareholder; (2) the sale, lease, exchange, pledge, transfer or other disposition by the Corporation, or a Subsidiary, of assets exceeding ten percent (10%) of the total assets of the Corporation in a transaction or series of transactions in which a Dominant Shareholder is either a party or has an interest; (3) the issuance, sale, exchange, disposition or other transfer by the Corporation or any Subsidiary, in one transaction or a series of transactions, of any securities of the Corporation, or any Subsidiary, to any Dominant Shareholder or any Affiliate of any Dominant Shareholder in exchange for cash, securities or other property having an aggregate fair market value in excess of ten percent (10%) of the fair market value of the issued and outstanding capital stock of the Corporation prior to such transaction; (4) any reclassification of securities, any reverse stock split, or any recapitalization of the Corporation or any other transaction which has the effect, directly or indirectly, of increasing the Beneficial Ownership of the Corporation or any Subsidiary by the Dominant Shareholder or any Affiliate thereof.

d. "Dominant Shareholder" means: any Person (except this Corporation, any Subsidiary of this Corporation, and any Savings, Pension, TRESOP or other benefit plan of this Corporation or any fiduciary, trustee or custodian thereof acting in such a capacity) who is the Beneficial Owner, directly or indirectly, of more than ten percent (10%) but less than 99 percent (99%) of the shares of the Corporation having the power to vote for the Board of Directors. The relevant time for calculating this percentage shall be each date on which any approval (board, shareholder, governmental or any other) necessary to complete any agreement, contract, transaction or other arrangement providing for or resulting in a Business Combination is obtained.

e. "Highest Purchase Price" shall mean the highest amount of consideration paid by a Dominant Shareholder at any time within two years prior to the date of becoming a Dominant Shareholder and during any time while having the status of Dominant Shareholder; provided, however, that the Highest Purchase Price shall be appropriately adjusted to reflect the occurrence of any reclassification, recapitalization, stock split, reverse stock split or other readjustment to the number of outstanding shares of stock in a class, or the payment of a stock dividend thereon occurring between the last date upon which such Dominant Shareholder paid the Highest Purchase Price and the effective date of the Business Combination.

f. "Person" means: any individual, group, partnership, association, firm, corporation or other entity.

g. "Subsidiary ' means: any corporation in which this Corporation has Beneficial Ownership of at least a majority of any class of stock having the right to vote for directors.

4. The Board of Directors by a vote of 66 2/3% of the authorized number of directors shall have the right to make any determinations required under this Article SEVENTH.

EIGHTH: Indemnity.

A. LIMITATION OF DIRECTORS' LIABILITY.

The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

B. INDEMNIFICATION OF CORPORATE AGENTS.

The Corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the applicable limits set forth in Section 204 of the California Corporations Code.

NINTH: The Board of Directors is expressly authorized to make, amend or repeal the bylaws of the Corporation, without any action on the part of the shareholders, solely by the affirmative vote of at least 66 2/3% of the authorized number of directors. The bylaws may also be amended or repealed by the shareholders, but only by the affirmative vote of the holders of shares representing at least 66 2/3% of the outstanding shares of the Corporation entitled to vote.

TENTH: The amendment or repeal of Articles FOURTH, FIFTH, SIXTH, SEVENTH, EIGHTH, NINTH and TENTH shall require the approval of the holders of shares representing at least 66 2/3% of the outstanding shares of the Corporation entitled to vote.

EXHIBIT C

CHAPTER 13 OF THE CALIFORNIA GENERAL CORPORATION LAW

DISSENTERS' RIGHTS

(S) 1300. REORGANIZATION OR SHORT-FORM MERGER; DISSENTING SHARES; CORPORATE PURCHASE AT FAIR MARKET VALUE; DEFINITIONS

(a) If the approval of the outstanding shares (Section 152) of a corporation is required for a reorganization under subdivisions (a) and (b) or subdivision (e) or (f) of Section 1201, each shareholder of the corporation entitled to vote on the transaction and each shareholder of a subsidiary corporation in a short-form merger may, by complying with this chapter, require the corporation in which the shareholder holds shares to purchase for cash at their fair market value the shares owned by the shareholder which are dissenting shares as defined in subdivision (b). The fair market value shall be determined as of the day before the first announcement of the terms of the proposed reorganization or short-form merger, excluding any appreciation or depreciation in consequence of the proposed action, but adjusted for any stock split, reverse stock split, or share dividend which becomes effective thereafter.

(b) As used in this chapter, "dissenting shares" means shares which come within all of the following descriptions:

(1) Which were not immediately prior to the reorganization or short-form merger either (A) listed on any national securities exchange certified by the Commissioner of Corporations under subdivision (o) of Section 25100 or (B) listed on the list of OTC margin stocks issued by the Board of Governors of the Federal Reserve System, and the notice of meeting of shareholders to act upon the reorganization summarizes this section and Sections 1301, 1302, 1303 and 1304; provided, however, that this provision does not apply to any shares with respect to which there exists any restriction on transfer imposed by the corporation or by any law or regulation; and provided, further, that this provision does not apply to any class of shares described in subparagraph (A) or (B) if demands for payment are filed with respect to 5 percent or more of the outstanding shares of that class.

(2) Which were outstanding on the date for the determination of shareholders entitled to vote on the reorganization and (A) were not voted in favor of the reorganization or, (B) if described in subparagraph (A) or (B) of paragraph (1) (without regard to the provisos in that paragraph), were voted against the reorganization, or which were held of record on the effective date of a short-form merger; provided, however, that subparagraph (A) rather than subparagraph (B) of this paragraph applies in any case where the approval required by Section 1201 is sought by written consent rather than at a meeting.

(3) Which the dissenting shareholder has demanded that the corporation purchase at their fair market value, in accordance with Section 1301.

(4) Which the dissenting shareholder has submitted for endorsement, in accordance with Section 1302.

(c) As used in this chapter, "dissenting shareholder" means the recordholder of dissenting shares and includes a transferee of record.

(S) 1301. NOTICE TO HOLDERS OF DISSENTING SHARES IN REORGANIZATIONS; DEMAND FOR PURCHASE; TIME; CONTENTS

(a) If, in the case of a reorganization, any shareholders of a corporation have a right under Section 1300, subject to compliance with paragraphs (3) and (4) of subdivision (b) thereof, to require the corporation to purchase their shares for cash, such corporation shall mail to each such shareholder a notice of the approval of the reorganization by its outstanding shares (Section 152) within 10 days after the date of such approval, accompanied by a copy of Sections 1300, 1302, 1303, 1304 and this section, a statement of the price determined by the corporation to represent the fair market value of the dissenting shares, and a brief description of the procedure to be followed if the shareholder desires to exercise the shareholder's right under such sections. The statement of price constitutes an offer by the corporation to purchase at the price stated

any dissenting shares as defined in subdivision (b) of Section 1300, unless they lose their status as dissenting shares under Section 1309.

(b) Any shareholder who has a right to require the corporation to purchase the shareholder's shares for cash under Section 1300, subject to compliance with paragraphs (3) and (4) of subdivision (b) thereof, and who desires the corporation to purchase such shares shall make written demand upon the corporation for the purchase of such shares and payment to the shareholder in cash of their fair market value. The demand is not effective for any purpose unless it is received by the corporation or any transfer agent thereof (1) in the case of shares described in clause (i) or (ii) of paragraph (1) of subdivision (b) of Section 1300 (without regard to the provisos in that paragraph), not later than the date of the shareholders' meeting to vote upon the reorganization, or (2) in any other case within 30 days after the date on which the notice of the approval by the outstanding shares pursuant to subdivision (a) or the notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder.

(c) The demand shall state the number and class of the shares held of record by the shareholder which the shareholder demands that the corporation purchase and shall contain a statement of what such shareholder claims to be the fair market value of those shares as of the day before the announcement of the proposed reorganization or short-form merger. The statement of fair market value constitutes an offer by the shareholder to sell the shares at such price.

(S) 1302. SUBMISSION OF SHARE CERTIFICATES FOR ENDORSEMENT; UNCERTIFICATED SECURITIES

Within 30 days after the date on which notice of the approval by the outstanding shares or the notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder, the shareholder shall submit to the corporation at its principal office or at the office of any transfer agent thereof, (a) if the shares are certificated securities, the shareholder's certificates representing any shares which the shareholder demands that the corporation purchase, to be stamped or endorsed with a statement that the shares are dissenting shares to be exchanged for certificates of appropriate denomination so stamped or endorsed or (b) if the shares are uncertificated securities, written notice of the number of shares which the shareholder demands that the corporation purchase. Upon subsequent transfers of the dissenting shares on the books of the corporation, the new certificates, initial transaction statement, and other written statements issued therefor shall bear a like statement, together with the name of the original dissenting holder of the shares.

(S) 1303. PAYMENT OF AGREED PRICE WITH INTEREST; AGREEMENT FIXING FAIR MARKET VALUE; FILING; TIME OF PAYMENT

(a) If the corporation and the shareholder agree that the shares are dissenting shares and agree upon the price of the shares, the dissenting shareholder is entitled to the agreed price with interest thereon at the legal rate on judgments from the date of the agreement. Any agreements fixing the fair market value of any dissenting shares as between the corporation and the holders thereof shall be filed with the secretary of the corporation.

(b) Subject to the provisions of Section 1306, payment of the fair market value of dissenting shares shall be made within 30 days after the amount thereof has been agreed or within 30 days after any statutory or contractual conditions to the reorganization are satisfied, whichever is later, and in the case of certificated securities, subject to surrender of the certificates therefor, unless provided otherwise by agreement.

(S) 1304. ACTION TO DETERMINE WHETHER SHARES ARE DISSENTING SHARES OR FAIR MARKET VALUE; LIMITATION; JOINDER; CONSOLIDATION; DETERMINATION OF ISSUES; APPOINTMENT OF APPRAISERS

(a) If the corporation denies that the shares are dissenting shares, or the corporation and the shareholder fail to agree upon the fair market value of the shares, then the shareholder demanding purchase of such shares as dissenting shares or any interested corporation, within six months after the date on which notice of the approval by the outstanding shares (Section 152) or notice pursuant to subdivision (i) of Section 1110 was

mailed to the shareholder, but not thereafter, may file a complaint in the superior court of the proper county praying the court to determine whether the shares are dissenting shares or the fair market value of the dissenting shares or both or may intervene in any action pending on such a complaint.

(b) Two or more dissenting shareholders may join as plaintiffs or be joined as defendants in any such action and two or more such actions may be consolidated.

(c) On the trial of the action, the court shall determine the issues. If the status of the shares as dissenting shares is in issue, the court shall first determine that issue. If the fair market value of the dissenting shares is in issue, the court shall determine, or shall appoint one or more impartial appraisers to determine, the fair market value of the shares.

(S) 1305. REPORT OF APPRAISERS; CONFIRMATION; DETERMINATION BY COURT; JUDGMENT; PAYMENT; APPEAL; COSTS

(a) If the court appoints an appraiser or appraisers, they shall proceed forthwith to determine the fair market value per share. Within the time fixed by the court, the appraisers, or a majority of them, shall make and file a report in the office of the clerk of the court. Thereupon, on the motion of any party, the report shall be submitted to the court and considered on such evidence as the court considers relevant. If the court finds the report reasonable, the court may confirm it.

(b) If a majority of the appraisers appointed fail to make and file a report within 10 days from the date of their appointment or within such further time as may be allowed by the court or the report is not confirmed by the court, the court shall determine the fair market value of the dissenting shares.

(c) Subject to the provisions of Section 1306, judgment shall be rendered against the corporation for payment of an amount equal to the fair market value of each dissenting share multiplied by the number of dissenting shares which any dissenting shareholder who is a party, or who has intervened, is entitled to require the corporation to purchase, with interest thereon at the legal rate from the date on which judgment was entered.

(d) Any such judgment shall be payable forthwith with respect to uncertificated securities and, with respect to certificated securities, only upon the endorsement and delivery to the corporation of the certificates for the shares described in the judgment. Any party may appeal from the judgment.

(e) The costs of the action, including reasonable compensation to the appraisers to be fixed by the court, shall be assessed or apportioned as the court considers equitable, but, if the appraisal exceeds the price offered by the corporation, the corporation shall pay the costs (including in the discretion of the court attorneys' fees, fees of expert witnesses and interest at the legal rate on judgments from the date of compliance with Sections 1300, 1301 and 1302 if the value awarded by the court for the shares is more than 125 percent of the price offered by the corporation under subdivision (a) of Section 1301).

(S) 1306. PREVENTION OF IMMEDIATE PAYMENT; STATUS AS CREDITORS; INTEREST

To the extent that the provisions of Chapter 5 prevent the payment to any holders of dissenting shares of their fair market value, they shall become creditors of the corporation for the amount thereof together with interest at the legal rate on judgments until the date of payment, but subordinate to all other creditors in any liquidation proceeding, such debt to be payable when permissible under the provisions of Chapter 5.

(S) 1307. DIVIDENDS ON DISSENTING SHARES

Cash dividends declared and paid by the corporation upon the dissenting shares after the date of approval of the reorganization by the outstanding shares (Section 152) and prior to payment for the shares by the corporation shall be credited against the total amount to be paid by the corporation therefor.

(S) 1308. RIGHTS OF DISSENTING SHAREHOLDERS PENDING VALUATION; WITHDRAWAL OF DEMAND FOR PAYMENT

Except as expressly limited in this chapter, holders of dissenting shares continue to have all the rights and privileges incident to their shares, until the fair market value of their shares is agreed upon or determined. A dissenting shareholder may not withdraw a demand for payment unless the corporation consents thereto.

(S) 1309. TERMINATION OF DISSENTING SHARE AND SHAREHOLDER STATUS

Dissenting shares lose their status as dissenting shares and the holders thereof cease to be dissenting shareholders and cease to be entitled to require the corporation to purchase their shares upon the happening of any of the following:

(a) The corporation abandons the reorganization. Upon abandonment of the reorganization, the corporation shall pay on demand to any dissenting shareholder who has initiated proceedings in good faith under this chapter all necessary expenses incurred in such proceedings and reasonable attorneys' fees.

(b) The shares are transferred prior to their submission for endorsement in accordance with Section 1302 or are surrendered for conversion into shares of another class in accordance with the articles.

(c) The dissenting shareholder and the corporation do not agree upon the status of the shares as dissenting shares or upon the purchase price of the shares, and neither files a complaint or intervenes in a pending action as provided in Section 1304, within six months after the date on which notice of the approval by the outstanding shares or notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder.

(d) The dissenting shareholder, with the consent of the corporation, withdraws the shareholder's demand for purchase of the dissenting shares.

(S) 1310. SUSPENSION OF RIGHT TO COMPENSATION OR VALUATION PROCEEDINGS; LITIGATION OF SHAREHOLDERS' APPROVAL

If litigation is instituted to test the sufficiency or regularity of the votes of the shareholders in authorizing a reorganization, any proceedings under Sections 1304 and 1305 shall be suspended until final determination of such litigation.

(S) 1311. EXEMPT SHARES

This chapter, except Section 1312, does not apply to classes of shares whose terms and provisions specifically set forth the amount to be paid in respect to such shares in the event of a reorganization or merger.

(S) 1312. RIGHT OF DISSENTING SHAREHOLDER TO ATTACK, SET ASIDE OR RESCIND MERGER OR REORGANIZATION; RESTRAINING ORDER OR INJUNCTION; CONDITIONS

(a) No shareholder of a corporation who has a right under this chapter to demand payment of cash for the shares held by the shareholder shall have any right at law or in equity to attack the validity of the reorganization or short-form merger, or to have the reorganization or short-form merger set aside or rescinded, except in an action to test whether the number of shares required to authorize or approve the reorganization have been legally voted in favor thereof; but any holder of shares of a class whose terms and provisions specifically set forth the amount to be paid in respect to them in the event of a reorganization or short-form merger is entitled to payment in accordance with those terms and provisions or, if the principal terms of the reorganization are approved pursuant to subdivision (b) of Section 1202, is entitled to payment in accordance with the terms and provisions of the approved reorganization.

(b) If one of the parties to a reorganization or short-form merger is directly or indirectly controlled by, or under common control with, another party to the reorganization or short-form merger, subdivision (a) shall not apply to any shareholder of such party who has not demanded payment of cash for such shareholder's shares pursuant to this chapter; but if the shareholder institutes any action to attack the validity

of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded, the shareholder shall not thereafter have any right to demand payment of cash for the shareholder's shares pursuant to this chapter. The court in any action attacking the validity of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded shall not restrain or enjoin the consummation of the transaction except upon 10 days' prior notice to the corporation and upon a determination by the court that clearly no other remedy will adequately protect the complaining shareholder or the class of shareholders of which such shareholder is a member.

(c) If one of the parties to a reorganization or short-form merger is directly or indirectly controlled by, or under common control with, another party to the reorganization or short-form merger, in any action to attack the validity of the reorganization or short-form merger or to have the reorganization or short-form merger set aside or rescinded, (1) a party to a reorganization or short-form merger which controls another party to the reorganization or short-form merger shall have the burden of proving that the transaction is just and reasonable as to the shareholders of the controlled party, and (2) a person who controls two or more parties to a reorganization shall have the burden of proving that the transaction is just and reasonable as to the shareholders of any party so controlled.

1986 LONG-TERM INCENTIVE PLAN (AS REVISED)

SAN DIEGO GAS & ELECTRIC COMPANY
1986 LONG-TERM INCENTIVE PLAN
(Amended and Restated Effective April 25, 1995)

1. Purpose of the Plan. The purpose of the 1986 Long-Term Incentive Plan is to promote the interests of San Diego Gas & Electric Company and its shareholders by encouraging officers and key employees to acquire stock or increase their proprietary interest in the Company. By thus providing the opportunity to acquire Company stock and receive incentive payments, the Company seeks to attract and retain such key employees upon whose judgment, initiative, and leadership the success of the Company largely depends.

This amended and restated Plan (a) permits the grant of incentive stock options as defined in section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as options that are not incentive stock options and other awards; (b) extends the term of the Plan; (c) adds provisions for the grant of Common Stock to non-employee directors; (d) adds an individual grant limitation required by section 162(m) of the Code for award income for certain individuals to be tax deductible by the Company; and (e) makes certain additional changes.

2. Definitions. Whenever the following terms are used in this Plan, they will have the meanings specified below unless the context clearly indicates the contrary.

(a) "Board of Directors" or "Board" means the Board of Directors of San Diego Gas & Electric Company.

(b) "Change-in-Control" means (1) the dissolution or liquidation of the Company, (2) a reorganization, merger, or consolidation of the Company with one or more corporations as a result of which the Company is not the surviving corporation, (3) the acquisition of beneficial ownership, directly or indirectly, of more than 25% of the voting power of the outstanding stock of the Company by one person, group, association, corporation, or other entity, (the group) coupled with the election to the Board of Directors of new members who were not originally nominated by the Board at the last annual meeting and who constitute a new majority of the Board or (4) upon the sale of all or substantially all the property of the Company. The term Change-in-Control shall not apply to any reorganization or merger initiated voluntarily by the Company in which the Company is the surviving entity.

(c) "Committee" means the committee appointed to administer the Plan pursuant to Section 4.

(d) "Company" means San Diego Gas & Electric Company and its subsidiaries.

(e) "Common Shares" or "Common Stock" means the common shares of San Diego Gas & Electric Company and any class of common shares into which such common shares may hereafter be converted.

(f) "Dividend Equivalent" means the additional amount of Common Stock issued in connection with an option, as described in Section 14.

(g) "Eligible Person" means an Employee eligible to receive an Incentive Award.

(h) "Employee" means any regular full-time common-law employee of the Company, or of any of its present or future subsidiary corporations, as defined in section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code").

(i) "Fair Market Value" means the mean of the high and low sale prices reported for the Common Stock on the New York Stock Exchange for the five (5) trading days immediately preceding the date as of which such determination is made.

(j) "Good Reason" means termination of employment by the Officer when one or more of the following occurs without the Officer's express written consent within three years after a change of control:

(i) an adverse and significant change in the Holder's position, duties, responsibilities or status with the Company, or a change in business location to a point outside the Company's service territory, except in connection with the termination of employment by the Company for Cause or Disability, or as a result of Voluntary Retirement at or after either the Holder's early (f.i.) or Normal Retirement Date (f.ii.) or death, or for other than for Good Reason;

(ii) a reduction by the Company in base salary or incentive compensation opportunity;

(iii) the taking of any action by the Company to eliminate benefit plans without providing substitutes therefore, to reduce benefits thereunder or to substantially diminish the aggregate value of incentive awards or other fringe benefits including insurance and an automobile provided in accordance with the Company's standard policy; or

(iv) a failure by the Company to obtain from any successor, before the succession takes place, an agreement to assume and perform this Plan.

(k) "Holder" means a person holding an Incentive Award.

(l) "Incentive Award" means any Nonqualified Stock Option, Incentive Stock Option, Common Stock, Restricted Stock, Stock Appreciation Right, Dividend Equivalent, Stock Payment or Performance Award granted under the Plan.

(m) "Incentive Stock Option" means an option as defined under section 422 of the Code, including an Incentive Stock Option granted pursuant to Section 8 of the Plan.

(n) "Nonqualified Stock Option" means an option other than an Incentive Stock option granted pursuant to Section 7 of the Plan.

(o) "Option" means either a Nonqualified Stock Option or Incentive Stock Option.

(p) "Outside Director" shall mean a member of the Board of Directors who is not an Employee.

(q) "Plan" means the 1986 Long-Term Incentive Plan as amended and restated herein, which may be amended from time to time.

(r) "Restricted Stock" means Company stock sold or granted to an eligible person at not less than two dollars and fifty cents ($2.50) per share, which is nontransferable and subject to substantial risk of forfeiture until restrictions lapse.

(s) "Stock Appreciation Right" or "Right" means a right granted pursuant to Section 11 of the Plan to receive a number of shares of Common Stock or, in the discretion of the Committee, an amount of cash or a combination of share and cash, based on the increase in the Fair Market Value or book value of the shares subject to the right.

(t) "Performance Award" means an award whose value may be linked to stock value, book value, or other specific performance criteria which may be set by the Board of Directors, but which is paid in cash, stock, or a combination of both.

(u) "Stock Payment" means a payment in shares of the Common Stock to replace all or any portion of the compensation (other than base salary) that would otherwise become payable to an Employee in cash.

3. Shares of Common Stock Subject to the Plan.

(a) Subject to the provisions of Section 3(c) and Section 15 of the Plan, the aggregate number of shares of Common Stock that may be issued or transferred pursuant to Incentive Awards or covered by Stock Appreciation Rights unrelated to Options under the Plan will not exceed 2,700,000.

(b) The shares to be delivered under the Plan will be made available, at the discretion of the Board of Directors or the Committee, either from authorized but unissued shares of Common Stock or from previously issued shares of Common Stock reacquired by the Company, including shares purchased on the open market.

(c) If Incentive Awards are forfeited or if Incentive Awards terminate for any other reason before being exercised, then such Incentive Awards shall again become available for award under the Plan. If Stock Appreciation Rights are exercised, then only the number of Common Shares (if any) actually issued in settlement of such Stock Appreciation Rights shall reduce the number of Common Shares available under Section 3(a) and the balance shall again become available for award under the Plan. If Restricted Stock is forfeited before any dividends have been paid with respect to such Restricted Stock, then such Restricted Stock shall again become available for award under the Plan.

4. Administration of the Plan.

(a) The Plan shall be administered by the Committee. The Committee shall consist of two or more disinterested directors of the Company, who shall be appointed by the Board. A member of the Board shall be deemed to be "disinterested" only if he or she satisfies such requirements as the Securities and Exchange Commission may establish for disinterested administrators acting under plans intended to qualify for exemption under Rule 16b-3 under the Securities Exchange Act of 1934 (or any other comparable provisions in effect at the time or times in question). An Outside Director shall not fail to be "disinterested" solely because he or she receives the grants of Common Stock described in Section 6. The Board may also appoint one or more separate committees of the Board, each composed of two or more directors of the Company who need not be disinterested, who may administer the Plan with respect to Employees who are not officers or directors of the Company, may grant Incentive Awards under the Plan to such Employees and may determine all terms of such Awards. Unless and until the Board of Directors appoints other members, and subject to the requirement that they be "disinterested," the members of the Committee shall be the members of the Executive Compensation Committee of the Board of Directors, as such Executive Compensation Committee may be constituted from time to time.

(b) The Committee has and may exercise such powers and authority as may be necessary or appropriate for the Committee to carry out its functions as described in the Plan. The Committee has authority in its discretion to determine the Eligible Persons to whom, and the time or times at which, Incentive Awards may be granted and the number of shares or Rights subject to each award. Subject to the express provisions of the Plan, the Committee also has authority to interpret the Plan, and to determine the terms and provisions of the respective Incentive Award agreements (which need not be identical) and to make all other determinations necessary or advisable for Plan administration. The Committee has authority to prescribe, amend, and rescind rules and regulations relating to the Plan. All interpretations, determinations, and actions by the Committee will be final, conclusive, and binding upon all parties.

(c) No member of the Board of Directors or the Committee will be liable for any action or determination made in good faith by the Committee with respect to the Plan or any Incentive and Performance Award under it.

5. Eligibility and Date of Grant.

(a) The Committee has authority, in its sole discretion, to determine and designate from time to time those Eligible Persons who are to be granted Incentive Awards, the type of Incentive Awards to be granted, and the number of Rights, shares of Common Stock, or the amount of cash subject to each Incentive Award.

Each Incentive Award will be evidenced by a written instrument and may include any other terms and conditions consistent with the Plan, as the Committee may determine.

(b) the date of grant of an Incentive Award will be the date the Committee takes the necessary action to approve the grant; provided, however, that if the minutes or appropriate resolutions of the Committee provide that an Incentive Award is to be granted as of a date in the future, the date of grant will be such future date.

(c) any other provision of the Plan notwithstanding, the participation of Outside Directors in the Plan shall be limited such that Outside Directors shall receive no Incentive Awards other than the Common Stock granted pursuant to Section 6 hereof.

6. Outside Director Participation. Upon the conclusion of each regular annual meeting of the Company's shareholders, each incumbent Outside Director who will continue serving as a member of the Board thereafter shall receive a grant of 300 Common Shares (subject to adjustment under Section 15 and prorated for partial year service) in consideration of past service as a member of the Board and without additional payment for such Common Shares.

7. Nonqualified Stock Options.

The Committee may approve the grant of Nonqualified Stock Options to Eligible Persons, subject to the following terms and conditions:

(a) The purchase price of Common Stock under each Nonqualified Stock Option may not be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the date the Nonqualified Stock Option is granted.

(b) No Nonqualified Stock Option may be exercised after ten (10) years and one day from the date of grant.

(c) No fractional shares will be issued pursuant to the exercise of a Nonqualified Stock Option nor will any cash payment be made in lieu of fractional shares.

8. Incentive Stock Options. The Committee may approve the grant of Incentive Stock Options to Eligible Persons, subject to the following terms and conditions:

(a) The purchase price of each share of Common Stock under an Incentive Stock Option will be at least equal to the Fair Market Value of a share of the Common Stock on the date of grant; provided, however, that if an Employee, at the time an Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (as defined in section 424 of the Code), then the Exercise Price of each share of Common Stock subject to such Incentive Stock Option shall be at least one hundred and ten percent (110%) of the Fair Market Value of such share of Common Stock, as determined in the manner stated above.

(b) No Incentive Stock Option may be exercised after ten (10) years from the date of grant; provided, however, that if any Employee, at the time an Incentive Stock Option is granted to him, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company (as defined in Section 424 of the Code), the Incentive Stock Option granted shall not be exercisable after the expiration of five (5) years from the date of grant.

(c) No fractional shares will be issued pursuant to the exercise of an Incentive Stock Option nor will any cash payment be made in lieu of fractional shares.

9. Option Rules. Options granted to any Eligible Person prior to April 24, 2005, together with Stock Appreciation Rights granted pursuant to Section 11 hereof during the period, shall in no event cover more than 270,000 shares of Common Stock. The purchase price under each Option may be paid in cash, cash equivalents or secured notes acceptable to the Committee, by arrangement with a broker which is acceptable

to the Committee where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the Option shares to the Company, by the surrender of shares of Common Stock owned by the Holder exercising the option and having a Fair Market Value on the date of exercise equal to the purchase price or in any combination of the foregoing. Each Option granted to an Eligible Person shall be exercisable in such manner and at such times as the Committee shall determine. The Committee may modify, accelerate the exercisability of, extend or assume outstanding Options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new Options for the same or a different number of shares and at the same or a different purchase price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Holder, alter or impair his or her rights or obligations under such Option.

10. Restricted Stock. The Committee may approve the grant of Restricted Stock related or unrelated to Nonqualified Stock Options or Stock Appreciation Rights to Eligible Persons, subject to the following terms and conditions:

(a) The Committee in its discretion will determine the purchase price which will not be less than two dollars and fifty cents ($2.50) per share.

(b) All shares of Restricted Stock sold or granted pursuant to the Plan (including any shares of Restricted Stock received by the Holder as a result of stock dividends, stock splits, or any other forms of capitalization) will be subject to the following restrictions:

(i) The shares may not be sold, transferred, or otherwise alienated or hypothecated until the restrictions are removed or expire.

(ii) The Committee may require the Holder to enter into an escrow agreement providing that the certificates representing Restricted Stock sold or granted pursuant to the Plan will remain in the physical custody of an escrow holder until all restrictions are removed or expire.

(iii) Each certificate representing Restricted Stock sold or granted pursuant to the Plan will bear a legend making appropriate reference to the restrictions imposed on the Restricted Stock.

(iv) The Committee may impose restrictions on any shares sold pursuant to the Plan as it may deem advisable, including, without limitation, restrictions designed to facilitate exemption from or compliance with the Securities Exchange Act of 1934, as amended, with requirements of any stock exchange upon which such shares or shares of the same class are then listed and with any blue sky or other securities laws applicable to such shares.

(c) The restrictions imposed under subparagraph (b) above upon Restricted Stock will lapse in accordance with a schedule or other conditions as determined by the Committee, subject to the provisions of Section 17, subparagraph (d).

(d) Subject to the provisions of subparagraph (b) above and Section 17, subparagraph (d), the holder will have all rights of a shareholder with respect to the Restricted Stock granted or sold, including the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto.

11. Stock Appreciation Rights. The Committee may approve the grant of Rights related or unrelated to Options to Eligible Persons, subject to the following terms and conditions:

(a) A Stock Appreciation Right may be granted:

(i) at any time if unrelated to an option;

(ii) either at the time of grant, or at any time thereafter during the option term if related to a Nonqualified Stock Option; or

(iii) only at the time of grant if related to an Incentive Stock Option;

however, Stock Appreciation Rights granted to any Eligible Person prior to April 24, 2005, together with Options granted pursuant to Sections 7 or 8 hereof during the period, shall in no event cover more than 270,000 shares of Common Stock.

(b) A Stock Appreciation Right granted in connection with an Option will entitle the Holder of the related Option, upon exercise of the Stock Appreciation Right, to surrender such Option, or any portion thereof to the extent unexercised, with respect to the number of shares as to which such Stock Appreciation Right is exercised, and to receive payment of an amount computed pursuant to Section 11(d). Such Option will, to the extent surrendered, then cease to be exercisable.

(c) Subject to Section 11(g), a Stock Appreciation Right granted in connection with an Option hereunder will be exercisable at such time or times, and only to the extent that a related Option is exercisable, and will not be transferable except to the extent that such related Option is exercisable, and will not be transferable except to the extent that such related Option may be transferable.

(d) Upon the exercise of a Stock Appreciation Right related to an Option, the Holder will be entitled to receive payment of an amount determined by multiplying:

(i) The difference obtained by subtracting the purchase price of a share of Common Stock specified in the related Option from the Fair Market Value of a share of Common Stock on the date of exercise of such Stock Appreciation Right, by

(ii) The number of shares as to which such Stock Appreciation Right has been exercised.

(e) The Committee may grant Stock Appreciation Rights unrelated to Options to Eligible Persons which will be exercisable at such times as the Committee shall determine. Section 11(d) shall be used to determine the amount payable at exercise under such Stock Appreciation Right if Fair Market Value is used, except that Fair Market Value shall not be used if the Committee specified in the grant of the Right that book value or other measure as deemed appropriate by the Committee was to be used, and in lieu of "price. . .specified in the related option," the initial share value specified in the award shall be used.

(f) Payment of the amount determined under Section 11(d) or (e) may be made solely in whole shares of Common Stock in a number determined at their Fair Market Value on the date of exercise of the Stock Appreciation Right or alternatively, at the sole discretion of the Committee, solely in cash or in a combination of cash and shares as the Committee deems advisable. If the Committee decides to make full payment in shares of Common Stock, and the amount payable results in a fractional share, payment for the fractional share will be made in cash.

(g) The Committee shall, at the time a Stock Appreciation Right is granted, impose such conditions on the exercise of the Stock Appreciation Right as may be required to satisfy the requirements of Rule 16b-3 under the Securities Exchange Act of 1934 (or any other comparable provisions in effect at the time or times in question). In addition, a Stock Appreciation Right granted under the Plan may provide that it will be exercisable only in the event of a Change-in-Control.

12. Performance Awards. The Committee may approve Performance Awards to Eligible Persons. Such awards may be based on Common Stock performance over a period determined in advance by the Committee or any other measures as determined appropriate by the Committee. Payment will be in cash unless replaced by a Stock Payment in full or in part as determined by the Committee.

13. Stock Payment. The Committee may approve Stock Payments of Common Stock to Eligible Persons for all or any portion of the compensation (other than base salary) that would otherwise become payable to an Employee in cash.

14. Dividend Equivalents. A Holder may also be granted at no additional cost "Dividend Equivalents" based on the dividends declared on the Common Stock on record dates during the period between the date

an Option is granted and the date such Option is exercised, or such other equivalent period, as determined by the Committee. Such Dividend Equivalents shall be converted to additional shares or cash by such formula as may be determined by the Committee.

Dividend Equivalents shall be computed, as of each dividend record date, both with respect to the number of shares under the Option and with respect to the number of Dividend Equivalent shares previously earned by the Holder (or his successor in interest) and not issued during the period prior to the dividend record date.

15. Adjustment Provisions.

(a) Subject to Section 15(b), if the outstanding shares of Common Stock are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Common Stock or other securities, through merger, consolidation, sale of all or substantially all of the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Common Stock, or other securities, an appropriate and proportionate adjustment may be made in (i) the maximum number and kind of shares provided in Section 3 of the Plan, (ii) the number and kind of shares or other securities subject to the then outstanding Incentive Awards, and (iii) the price for each share or other unit of any other securities subject to then outstanding Incentive Awards without change in the aggregate purchase price or value as to which Incentive Awards remain exercisable or subject to restrictions.

(b) Unless a successor corporation, or its parent or a subsidiary, agrees to substitute new options, stock appreciation rights, performance awards or restricted stock covered by its stock, with appropriate adjustments as to the number and kind of shares and price, for all Incentive Awards then outstanding and to continue the Plan, all Incentive Awards then outstanding under the Plan shall be fully vested and exercisable without restrictions upon a Change-in-Control. Even if the substitution of new awards and the continuation of the Plan are provided for upon a Change-in-Control, as described in the preceding sentence, all Incentive Awards then outstanding under the Plan shall immediately become fully vested and exercisable without restrictions by any Holder who within three years after a Change-in-Control occurs is terminated for reasons other than cause, retirement, death, or disability or who terminates employment due to Good Reason.

(c) Despite the provisions of Section 15(a), upon dissolution or liquidation of the Company, or upon a reorganization, merger, or consolidation of the Company with one or more corporations as a result of which the Company is not the surviving corporation, or upon the sale of all or substantially all the property of the Company, all Options, Stock Appreciation Rights, and Performance Awards then outstanding under the Plan will be fully vested and exercisable and all restrictions on Restricted Stock will immediately cease, unless provisions are made in connection with such transaction for the continuance of the Plan and the substitution for such Incentive Awards of new Options, Stock Appreciation Rights, Performance Awards, or Restricted Stock covering the stock of a successor employer corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices.

(d) Adjustments under Section 15(a) and 15(b) will be made by the Committee, whose determination as to what adjustments will be made and the extent thereof will be final, binding, and conclusive. No fractional interest will be issued under the Plan on account of any such adjustments.

16. General Provisions.

(a) With respect to any shares of Common Stock issued or transferred under any provision of the Plan, such shares may be issued or transferred subject to such conditions, in addition to those specifically provided in the Plan, as the Committee may direct.

(b) Nothing in the Plan or in any instrument executed pursuant to the Plan will confer upon any Holder any right to continue in the employ of the Company or any of its subsidiaries or affect the right of the Company to terminate the employment of any Holder at any time and for any reason.

(c) No shares of Common Stock will be issued or transferred pursuant to an Incentive Award unless and until all then applicable requirements imposed by federal and state securities and other laws, rules, and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issue of shares pursuant to the grant or exercise of an Incentive Award, the Company may require the Holder to take any reasonable action to meet such requirements.

(d) No Holder (individually or as a member of a group) and no beneficiary or other person claiming under or through such Holder will have any right, title, or interest in or to any shares of Common Stock allocated or reserved under the Plan or subject to any Incentive Award except as to such shares of Common Stock, if any, that have been issued or transferred to such Holder.

(e) The Company may make such provisions as it deems appropriate to withhold any taxes which it determines it is required to withhold in connection with any Incentive or Performance Award.

(f) No Incentive Award and no right under the Plan, contingent or otherwise, will be assignable or subject to any encumbrance, pledge (other than a pledge to secure a loan from the Company), or charge of any nature except that, under such rules and regulations as the Company may establish pursuant to the terms of the Plan, a beneficiary may be designated with respect to an Incentive Award in the event of death of a Holder of such Incentive Award. If such beneficiary is the executor or administrator of the estate of the Holder of such Incentive Award, any rights with respect to such Incentive Award may be transferred to the person or persons or entity (including a trust) entitled thereto under the will of the Holder of such Incentive Award, or, in the case of intestacy, under the laws relating to intestacy. Except as permitted by the Committee, no Incentive Award which is comprised of a "derivative security," as that term is defined in the Rules promulgated under Section 16 of the Exchange Act, which includes Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, or Performance Awards, shall be transferable by any Eligible Person other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

(g) The Committee may permit a Holder to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Common Stock that otherwise would be issued to him or her or by surrendering all or a portion of any Common Stock that he or she previously acquired. Such Common Stock shall be valued at its Fair Market Value on the date when taxes otherwise would be withheld in cash. Any payment of taxes by assigning Common Stock to the Company may be subject to restrictions, including any restrictions required by rules of the Securities and Exchange Commission.

17. Amendment and Termination.

(a) The Board of Directors will have the power, in its discretion, to amend, suspend, or terminate the Plan at any time, except that the provisions of Section 6 relating to Common Stock grants to Outside Directors shall not be amended more than once in any six-month period after the Plan becomes effective. An amendment of the Plan shall be subject to the approval of the Company's shareholders only to the extent required by applicable laws, regulations and or rules.

(b) The Committee may, with the consent of a Holder, make such modifications in the terms and conditions of the Incentive Award as it deems advisable or cancel the Incentive Award (with or without consideration) with the consent of the Holder.

(c) No amendment, suspension, or termination of the Plan will, without the consent of the Holder, alter, terminate, impair, or adversely affect any right or obligation under any Incentive Award previously granted under the Plan.

(d) In the event a Holder of Restricted Stock ceases to be an Employee, all such Holder's Restricted Stock which remains subject to substantial risk of forfeiture at the time his or her employment terminates will be repurchased by the Company at the original price at which such Restricted Stock had been purchased unless the Committee determines otherwise.

(e) In the event a Holder of a Performance Award ceases to be an Employee, all such Holder's Performance Awards will terminate except in the case of retirement, death, or permanent and total disability. The Committee, in its discretion, may authorize full or partial payment of Performance Awards in all cases involving retirement, death, or permanent and total disability.

(f) The Committee may in its sole discretion determine, with respect to an Incentive Award, that any Holder who is on unpaid leave of absence for any reason will be considered as still in the employ of the Company, provided that rights to such Incentive Award during an unpaid leave of absence will be limited to the extent to which such right was earned or vested at the commencement of such leave of absence.

18. Effective Date of Plan and Duration of Plan. This amended and restated Plan will become effective upon approval by the shareholders of the Company within twelve (12) months following the date of its adoption by the Board of Directors. Unless previously terminated by the Board of Directors, the Plan will terminate ten (10) years after its approval by the shareholders of the Company.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Pursuant to the California Corporations Code, Article EIGHTH of the Registrant's Articles of Incorporation and provisions of the Registrant's Bylaws, directors, officers, employees and agents of the Registrant may be indemnified by the Registrant in certain circumstances against liabilities they incur while acting in such capacities. Upon the effectiveness of the Merger (as contemplated in Part I of this Registration Statement), the Registrant will have directors' and officers' liability insurance policies in force insuring directors and officers of the Registrant and its subsidiaries.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

See Exhibit Index.

ITEM 22. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of an annual report of the Registrant or San Diego Gas & Electric Company pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby undertakes as follows:

(1) That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) That every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933 and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 20 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the Proxy Statement and Prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS PRE-EFFECTIVE AMENDMENT NO. 2 TO REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF SAN DIEGO, STATE OF CALIFORNIA, ON FEBRUARY 28, 1995.

SDO PARENT CO., INC.

By: /s/ Nad A. Peterson
NAD A. PETERSON SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS PRE-EFFECTIVE AMENDMENT NO. 2 TO REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
Principal Executive Officer:		
*/s/ Thomas A. Page THOMAS A. PAGE	Chairman of the Board, Chief Executive Officer, President and Director	February 28, 1995
Principal Financial Officer:		
/s/ Stephen L. Baum STEPHEN L. BAUM	Executive Vice President and Chief Financial Officer	February 28, 1995
Principal Accounting Officer:		
*/s/ Frank H. Ault FRANK H. AULT	Vice President and Controller	February 28, 1995
Directors (other than Mr. Page):		
*/s/ Richard C. Atkinson RICHARD C. ATKINSON	Director	February 28, 1995
*/s/ Ann Burr ANN BURR	Director	February 28, 1995

SIGNATURE	TITLE	DATE
*/s/ Richard A. Collato RICHARD A. COLLATO	Director	February 28, 1995
*/s/ Daniel W. Derbes DANIEL W. DERBES	Director	February 28, 1995
*/s/ Catherine T. Fitzgerald CATHERINE T. FITZGERALD	Director	February 28, 1995
*/s/ Robert H. Goldsmith ROBERT H. GOLDSMITH	Director	February 28, 1995
*/s/ William D. Jones WILLIAM D. JONES	Director	February 28, 1995
*/s/ Ralph R. Ocampo RALPH R. OCAMPO	Director	February 28, 1995
*/s/ Thomas C. Stickel THOMAS C. STICKEL	Director	February 28, 1995

*By: /s/ Henry P. Morse, Jr.
ATTORNEY-IN-FACT

EXHIBIT INDEX

These Exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K.

EXHIBIT NO.	DESCRIPTION	SEQUENTIAL PAGE NO. IN MANUALLY SIGNED ORIGINAL
2	Merger Agreement (Exhibit A to Proxy Statement and Prospectus).	--
3.1	Articles of Incorporation of Registrant (Exhibit B to Proxy Statement and Prospectus).	--
*3.2	Bylaws of Registrant.	--
4.1	Restated Articles of Incorporation of SDG&E (Incorporated by reference from SDG&E's March 31, 1994 Form 10-Q--Exhibit 3.1).	--
4.2	Mortgage and Deed of Trust dated July 1, 1940. (Incorporated by reference from Registration No. 2-49810--Exhibit 2A.)	--
4.3	Second Supplemental Indenture dated as of March 1, 1948. (Incorporated by reference from Registration No. 2-49810--Exhibit 2C.)	--
4.4	Ninth Supplemental Indenture dated as of August 1, 1968. (Incorporated by reference from Registration No. 2-68420--Exhibit 2D.)	--
4.5	Tenth Supplemental Indenture dated as of December 1, 1968. (Incorporated by reference from Registration No. 2-36042--Exhibit 2K.)	--
4.6	Sixteenth Supplemental Indenture dated August 28, 1975. (Incorporated by reference from Registration No. 2-68420--Exhibit 2E.)	--
4.7	Thirtieth Supplemental Indenture dated September 28, 1983. (Incorporated by reference from Registration No. 33-34017--Exhibit 4.3.)	--
*5	Opinion of Pillsbury Madison & Sutro.	--
*8	Tax Opinion of Pillsbury Madison & Sutro.	--
10.1	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Officers #3 (1994 compensation). (Incorporated by reference from SDG&E's 1993 Form 10-K--Exhibit 10.1.)	--
10.2	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Officers #1 (1994 compensation, 1995 incentive). (Incorporated by reference from SDG&E's 1993 Form 10-K--Exhibit 10.2.)	--
10.3	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Nonemployee Directors (1994 compensation). (Incorporated by reference from SDG&E's 1993 Form 10-K--Exhibit 10.3.)	--
10.4	Form of San Diego Gas & Electric Company 1986 Long-Term Incentive Plan 1993 restricted stock award agreement. (Incorporated by reference from SDG&E's 1993 Form 10-K--Exhibit 10.4.)	--
10.5	Supplemental Executive Retirement Plan adopted on July 15, 1981 and amended on April 24, 1985, October 20, 1986, April 28, 1987, October 24, 1988, November 21, 1988, October 28, 1991, May 28, 1992, May 24, 1993 and November 22, 1993. (Incorporated by reference from SDG&E's 1993 Form 10-K--Exhibit 10.5.)	--
10.6	Amended 1986 Long-Term Incentive Plan, Restatement as of October 25, 1993. (Incorporated by reference from SDG&E's 1993 Form 10-K--Exhibit 10.6.)	--
10.7	Loan agreement with CIBC Inc. dated as of December 1, 1993. (Incorporated by reference from SDG&E's 1993 Form 10-K--Exhibit 10.7.)	--

EXHIBIT NO.	DESCRIPTION	SEQUENTIAL PAGE NO. IN MANUALLY SIGNED ORIGINAL
10.8	Amendment to San Diego Gas & Electric Company and Southern California Gas Company Restated Long-Term Wholesale Natural Gas Service Contract (see Exhibit 10.53) dated March 26, 1993. (Incorporated by reference from SDG&E's 1993 Form 10-K--Exhibit 10.8.)	--
10.9	Loan agreement with the California Pollution Control Financing Authority in connection with the issuance of $80 million of Pollution Control Bonds dated as of June 1, 1993. (Incorporated by reference from SDG&E's June 30, 1993 Form 10-Q--Exhibit 10.1.)	--
10.10	Loan agreement with the City of San Diego in connection with the issuance of $92.7 million of Industrial Development Bonds 1993 Series C dated as of July 1, 1993. (Incorporated by reference from SDG&E's June 30, 1993 Form 10-Q--Exhibit 10.2.)	--
10.11	Loan agreement with Mellon Bank, N.A dated as of April 15, 1993. (Incorporated by reference from SDG&E's March 31, 1993 Form 10-Q--Exhibit 10.1.)	--
10.12	Loan agreement with First Interstate Bank dated as of April 15, 1993. (Incorporated by reference from SDG&E's March 31, 1993 Form 10-Q--Exhibit 10.2.)	--
10.13	Loan agreement with the City of San Diego in connection with the issuance of Industrial Development Bonds 1993 Series A dated as of April 1, 1993. (Incorporated by reference from SDG&E's March 31, 1993 Form 10-Q--Exhibit 10.3.)	--
10.14	Loan agreement with the City of San Diego in connection with the issuance of Industrial Development Bonds 1993 Series B dated as of April 1, 1993. (Incorporated by reference from SDG&E's March 31, 1993 Form 10-Q--Exhibit 10.4.)	--
10.15	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Officers #3 (1993 compensation). (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.1.)	--
10.16	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Officers #1 (1993 compensation, 1994 incentive). (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.2.)	--
10.17	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Nonemployee Directors (1993 compensation). (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.3.)	--
10.18	Form of San Diego Gas & Electric Company 1986 Long-Term Incentive Plan 1992 restricted stock award agreement. (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.4.)	--
10.19	Loan agreement with the City of Chula Vista in connection with the issuance of $250 million of Industrial Development Revenue Bonds, dated as of December 1, 1992. (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.5.)	--
10.20	Loan agreement with the City of San Diego in connection with the issuance of $25 million of Industrial Development Revenue Bonds, dated as of September 1, 1987. (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.6.)	--
10.21	Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station, approved November 25, 1987. (Incorporated by reference	--

	from SDG&E's 1992 Form 10-K--Exhibit 10.7.)		
10.22	Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station, approved November 25, 1987. (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.8.)		--

EXHIBIT NO.	DESCRIPTION	SEQUENTIAL PAGE NO. IN MANUALLY SIGNED ORIGINAL
10.23	Amended 1986 Long-Term Incentive Plan. (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.9.)	--
10.24	Loan agreement between Mellon Bank, N.A. and San Diego Gas & Electric Company dated December 15, 1992, as amended. (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.10.)	--
10.25	Fuel Lease dated as of September 8, 1983 between SONGS Fuel Company, as Lessor and San Diego Gas & Electric Company, as Lessee, and Amendment No. 1 to Fuel Lease, dated September 14, 1984 and Amendment No. 2 to Fuel Lease, dated March 2, 1987. (Incorporated by reference from SDG&E's 1992 Form 10-K--Exhibit 10.11.)	--
10.26	Loan Agreement with the City of San Diego in connection with the issuance of $118.6 million of Industrial Development Revenue Bonds dated as of September 1, 1992. (Incorporated by reference from SDG&E's September 30, 1992 Form 10-Q--Exhibit 10.1.)	--
10.27	Gas Purchase Agreement, dated March 12, 1991 between Husky Oil Operations Limited and San Diego Gas & Electric Company. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.1.)	--
10.28	Gas Purchase Agreement, dated March 12, 1991 between Canadian Hunter Marketing Limited and San Diego Gas & Electric Company. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.2.)	--
10.29	Gas Purchase Agreement, dated March 12, 1991 between Bow Valley Industries Limited and San Diego Gas & Electric Company. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.3.)	--
10.30	Gas Purchase Agreement, dated March 12, 1991 between Summit Resources Limited and San Diego Gas & Electric Company. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.4.)	--
10.31	Service Agreement Applicable to Firm Transportation Service under Rate Schedule FS-1, dated May 31, 1991 between Alberta Natural Gas Company Ltd. and San Diego Gas & Electric Company. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.5.)	--
10.32	Firm Transportation Service Agreement, dated December 31, 1991 between Pacific Gas and Electric Company and San Diego Gas & Electric Company. Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.7.)	--
10.33	Supplemental Executive Retirement Plan adopted on July 15, 1981 and amended on April 24, 1985, October 20, 1986, April 28, 1987, October 24, 1988, November 21, 1988 and October 28, 1991. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.8.)	--
10.34	Uranium enrichment services contract between the U. S. Department of Energy and Southern California Edison Company, as agent for SDG&E and others; Contract DE-SC05-84UEO7541, dated November 5, 1984, effective June 1, 1984, as amended by modifications dated September 13, 1985, January 8, April 10, June 17 and August 8, 1986, March 26, 1987, February 20 and July 25, 1990, and October 7, 1991. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.9.)	--

EXHIBIT NO.	DESCRIPTION	SEQUENTIAL PAGE NO. IN MANUALLY SIGNED ORIGINAL
10.35	Loan agreement with California Pollution Control Financing Authority, dated as of December 1, 1985, in connection with the issuance of $35 million of pollution control bonds. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.10.)	--
10.36	Loan agreement with California Pollution Control Financing Authority, dated as of December 1, 1991, in connection with the issuance of $14.4 million of pollution control bonds. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.11.)	--
10.37	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Officers #3 (1992 compensation). (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.16.)	--
10.38	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Officers #1 (1992 compensation, 1993 incentive). (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.17.)	--
10.39	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Nonemployee Directors (1992 compensation). (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.18.)	--
10.40	Form of San Diego Gas & Electric Company Deferred Compensation Agreement for Officers #1 (1991 compensation, 1992 incentive). (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.20.)	--
10.41	Loan agreement with the City of San Diego in connection with the issuance of $44.25 million of Industrial Development Revenue Bonds, dated as of July 1, 1986. (Incorporated by reference from SDG&E's 1991 Form 10-K-- Exhibit 10.36.)	--
10.42	Loan agreement with the City of San Diego in connection with the issuance of $81.35 million of Industrial Development Revenue Bonds, dated as of December 1, 1986. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.37.)	--
10.43	Loan agreement with the City of San Diego in connection with the issuance of $100 million of Industrial Development Revenue Bonds, dated as of September 1, 1985. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.38.)	--
10.44	Executive Incentive Plan dated April 23, 1985. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.39.)	--
10.45	Loan agreement with California Pollution Control Financing Authority dated as of December 1, 1984, in connection with the issuance of $27 million of pollution control bonds. (Incorporated by reference from SDG&E's 1991 Form 10-K-- Exhibit 10.40.)	--
10.46	Loan agreement with California Pollution Control Financing Authority dated as of May 1, 1984, in connection with the issuance of $53 million of pollution control bonds. (Incorporated by reference from SDG&E's 1991 Form 10-K-- Exhibit 10.41.)	--
10.47	Lease agreement dated as of July 14, 1975 with New England Mutual Life Insurance Company, as lessor. (Incorporated by reference from SDG&E's 1991 Form 10-K--Exhibit 10.42.)	--

EXHIBIT NO.	DESCRIPTION	SEQUENTIAL PAGE NO. IN MANUALLY SIGNED ORIGINAL
10.48	Firm Transportation Service Agreement, dated April 25, 1991 between Pacific Gas Transmission Company and San Diego Gas & Electric Company. (Incorporated by reference from SDG&E's March 31, 1991 Form 10-Q--Exhibit 28.2.)	--
10.49	Agreement dated March 19, 1987, for the Purchase and Sale of Uranium Concentrates between SDG&E and Saarberg-Interplan Uran GmbH (assigned to Pathfinder Mines Corporation in June 1993). (Incorporated by reference from SDG&E's 1990 Form 10-K--Exhibit 10.5.)	--
10.50	Second Amended San Onofre Agreement among Southern California Edison Company, SDG&E, the City of Anaheim and the City of Riverside, dated February 26, 1987. (Incorporated by reference from SDG&E's 1990 Form 10-K--Exhibit 10.6.)	--
10.51	San Diego Gas & Electric Company Retirement Plan for Directors, adopted December 17, 1990. (Incorporated by reference from SDG&E's 1990 Form 10-K--Exhibit 10.7.)	--
10.52	San Diego Gas & Electric Company Executive Severance Allowance Plan, as Amended and Restated, December 17, 1990. (Incorporated by reference from SDG&E's 1990 Form 10-K--Exhibit 10.8.)	--
10.53	San Diego Gas & Electric Company and Southern California Gas Company Restated Long-Term Wholesale Natural Gas Service Contract, dated September 1, 1990. (Incorporated by reference from SDG&E's 1990 Form 10-K--Exhibit 10.9.)	--
10.54	Amendment to the San Diego Gas & Electric Company 1986 Long-Term Incentive Plan adopted January 23, 1989. (Incorporated by reference from SDG&E's 1989 Form 10-K--Exhibit 10B.)	--
10.55	Loan agreement between San Diego Trust & Savings Bank and SDG&E dated January 1, 1989 as amended. (Incorporated by reference from SDG&E's 1989 Form 10-K--Exhibit 10H.)	--
10.56	Loan agreement between Union Bank and SDG&E dated November 1, 1988 as amended. (Incorporated by reference from SDG&E's 1989 Form 10-K--Exhibit 10I.)	--
10.57	Loan agreement between Bank of America National Trust & Savings Association and SDG&E dated November 1, 1988 as amended. (Incorporated by reference from SDG&E's 1989 Form 10-K--Exhibit 10J.)	--
10.58	Loan agreement between First Interstate Bank of California and SDG&E dated November 1, 1988 as amended. (Incorporated by reference from SDG&E's 1989 Form 10-K--Exhibit 10K.)	--
10.59	Severance Plan as amended August 22, 1988. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10A.)	--
10.60	U. S. Navy contract for electric service, Contract N62474-70-C-1200-P00414, dated September 29, 1988. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10C.)	--
10.61	Employment agreement between San Diego Gas & Electric Company and Thomas A. Page, dated June 15, 1988. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10E.)	--

EXHIBIT NO.	DESCRIPTION	SEQUENTIAL PAGE NO. IN MANUALLY SIGNED ORIGINAL
10.62	Public Service Company of New Mexico and San Diego Gas & Electric Company 1988-2001 100 MW System Power Agreement dated November 4, 1985 and Letter of Agreement dated April 28, 1986, June 4, 1986 and June 18, 1986. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10H.)	--
10.63	San Diego Gas & Electric Company and Portland General Electric Company Long-Term Power Sale and Transmission Service agreements dated November 5, 1985. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10I.)	--
10.64	Comision Federal de Electricidad and San Diego Gas & Electric Company Contract for the Purchase and Sale of Electric Capacity and Energy dated November 20, 1980 and additional Agreement to the contract dated March 22, 1985. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10J.)	--
10.65	U. S. Department of Energy contract for disposal of spent nuclear fuel and/or high-level radioactive waste, entered into between the DOE and Southern California Edison Company, as agent for SDG&E and others; Contract DE-CR01-83NE44418, dated June 10, 1983. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10N.)	--
10.66	Agreement with Arizona Public Service Company for Arizona transmission system participation agreement--contract 790116. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10P.)	--
10.67	City of San Diego Electric Franchise (Ordinance No.10466). (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10Q.)	--
10.68	City of San Diego Gas Franchise (Ordinance No.10465). (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10R.)	--
10.69	County of San Diego Electric Franchise (Ordinance No.3207). (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10S.)	--
10.70	County of San Diego Gas Franchise (Ordinance No.5669). (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10T.)	--
10.71	Supplemental Pension Agreement with Thomas A. Page, dated as of April 3, 1978. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10V.)	--
10.72	Lease agreement dated as of June 15, 1978 with Lloyds Bank California, as owner-trustee and lessor--Exhibit B to financing agreement of SDG&E's Encina Unit 5 equipment trust. (Incorporated by reference from SDG&E's 1988 Form 10-K--Exhibit 10W.)	--
23.1	Consent of Pillsbury Madison & Sutro (included as part of Exhibit 5).	--
23.2	Consent of Deloitte & Touche LLP.	
*24	Power of Attorney (included in Part II of original Registration Statement).	--
*99.1	Form of Proxy for SDG&E Common Stock and SDG&E Cumulative Preferred Stock.	--
*99.2	Form of Proxy for SDG&E Preference Stock (Cumulative).	--
*99.3	Form of follow-up letter from Thomas A. Page to Shareholders.	--

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* Previously filed.

The Forms 10-K and 10-Q referred to above were filed under Commission File Number 1-3779.

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Pre-Effective Amendment No. 2 to Registration Statement No. 33-57007 of SDO Parent Co., Inc. on Form S-4 of our report dated February 27, 1995 (which report contains an emphasis paragraph referring to the Company's consideration of alternative strategies for its 80 percent owned subsidiary, Wahlco Environmental Systems, Inc.), incorporated by reference in the Annual Report on Form 10-K of San Diego Gas & Electric Company for the year ended December 31, 1994 and to the reference to us under the heading "Experts" in the Proxy Statement and Prospectus, which is part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

San Diego, California

February 28, 1995