

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act  
of 1934

Date of Report

(Date of earliest event reported): September 8, 2005  
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SAN DIEGO GAS & ELECTRIC COMPANY

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(Exact name of registrant as specified in its charter)

CALIFORNIA

1-3779

95-1184800

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(State of incorporation  
or organization)

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(Commission  
File Number)

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

8330 CENTURY PARK COURT, SAN DIEGO, CA

92123

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(Address of principal executive offices)

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(Zip Code)

Registrant's telephone number, including area code (619) 696-2000  
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(Former name or former address, if changed since last report.)

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FORM 8-K

**ITEM 8.01 OTHER EVENTS**

*The following information supplements and should be read in conjunction with the related information contained in the registrant's Annual Report on Form 10-K for the year ended December 31, 2004 and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005 filed with the Securities and Exchange Commission.*

**Legal Proceedings -- Continental Forge Litigation**

As previously reported, class-action and individual antitrust and unfair competition lawsuits filed in 2000 and thereafter, and now consolidated in San Diego Superior Court, allege that Sempra Energy and its California utility subsidiaries, Southern California Gas Company and San Diego Gas & Electric Company (collectively the "California Utilities"), along with El Paso Natural Gas Company and several of its affiliates, unlawfully sought to control natural gas and electricity markets. The members of the class include most of the natural gas and electricity consumers served by California regulated utilities. In December 2003, the Court approved a settlement with the El Paso entities valued at approximately \$1.6 billion to resolve these claims and other litigation involving claims unrelated to those asserted against Sempra Energy and the California Utilities.

The proceeding against Sempra Energy and the California Utilities, which claims damages of \$23 billion after applicable trebling, has not been resolved and continues to be litigated. On August 24, 2005, the trial court began hearings on over 30 pretrial motions. An initial jury trial is expected to commence shortly after the completion of ongoing hearings on the remaining pretrial motions.

On September 8, 2005, the parties to the proceeding filed and the trial court approved a stipulation with respect to the size, scope, format and binding effect of the initial trial. It permits Sempra Energy and the California Utilities to appeal any final judgment in the initial trial that is unfavorable to them prior to any additional proceedings in the trial court.

The initial trial will be for two plaintiff subclasses, residential gas and electricity customers in Ventura County, California, and all other residential electricity customers of Southern California Edison Company. The damage claims of these plaintiffs are estimated, employing the plaintiffs' damages methodology, to total approximately \$80 million and \$1.2 billion, respectively, after applicable trebling plus additional indeterminate amounts (which are not subject to trebling) for claims of unfair competition. The remainder of plaintiffs' \$23 billion damage claims is allocable to plaintiffs other than the Ventura residential customer subclass and the Edison residential customer subclass.

If a judgment favorable to the Ventura residential customer subclass were to be entered at the conclusion of the initial trial, Sempra Energy and the California Utilities could appeal the judgment by posting a bond in an amount not to exceed \$75 million. Any initial trial judgment for the Edison residential customer subclass would be intermediate and nonappealable, and stayed pending the exhaustion of appellate review of any judgment for the Ventura residential customer subclass.

If appeals to overturn a judgment favorable to the Ventura residential subclass were to be ultimately unsuccessful, additional trials or other trial court proceedings with respect to other plaintiffs would then proceed. In these proceedings, Sempra Energy and the California Utilities would be precluded from relitigating previously determined issues of liability, causation and fact of damages that are not unique to the specific plaintiff groups in the proceedings. Final judgments with respect to those plaintiffs and with respect to the Edison residential customer subclass (as determined by the initial trial) would be entered following the conclusion of the additional proceedings.

A brief summary of the stipulation is set forth below. The summary is not intended to be complete and is qualified in its entirety by reference to the full text of the stipulation which is filed as an exhibit to this report.

The stipulation provides that:

-- The initial trial will be limited to two subclasses of plaintiffs:

(a) a Ventura residential customer subclass consisting of residents of Ventura County, California who were both residential electricity ratepayers of Southern California Edison Company and residential gas core ratepayers of Southern California Gas Company, all of whose claims (both gas and electricity claims) are intended to be resolved by a final judgment (subject to immediate appeal) in the initial trial; and

(b) an Edison residential customer subclass consisting of all other California residential electricity ratepayers of Southern California Edison, whose electricity claims (but not gas claims) are also intended to be resolved by the initial trial.

-- At the initial trial, the jury will seek to reach a verdict as to liability, causation with respect to both subclasses, electricity damages for both subclasses, and gas damages for the Ventura residential customer subclass.

-- Following the initial trial, a final and immediately appealable judgment would be entered for both the electricity and gas damage claims of the Ventura residential customer subclass and an interlocutory judgment would be entered for the electricity claims of the Edison residential customer subclass.

-- Following the entry of these judgments and any post-trial proceedings, all further proceedings in the litigation (including any interlocutory judgment for the Edison residential customer subclass) would be stayed pending the conclusion of appellate review of any final judgment for the Ventura residential customer subclass.

-- The maximum amount of any bond that would be required of Sempra Energy and the California Utilities for any appeal in the litigation would not exceed \$75 million.

-- Judgments, rulings and other determinations in the initial trial as to common issues that become final after the exhaustion of all appellate review of any final judgment for the Ventura residential subclass would be binding on all parties, to the extent that the defendants are so bound by legal doctrines precluding relitigation of previously adjudicated issues.

-- Any interlocutory judgment in the initial trial for the Edison residential customer subclass would not be subject to execution or appeal, would be stayed and would not become a final judgment until the underlying gas claims of the subclass have been adjudicated in separate, later trial court proceedings that would not begin until after the exhaustion of appellate review of any final judgment with respect to the Ventura residential customer subclass.

-- In any such later trial court proceedings Sempra Energy and the California Utilities would not challenge the amount of damages (if any) as to the Edison residential customer subclass determined by the jury in

the initial trial if any judgment and damage award for the Ventura residential customer subclass are ultimately upheld on appeal.

As also previously disclosed, Sempra Energy and the California Utilities have expended and continue to expend substantial amounts with respect to this litigation and other litigation, investigations and regulatory matters arising out of the 2000-2001 California energy crisis. At June 30, 2005, Sempra Energy had accrued \$241 million (including \$74 million at Southern California Gas Company and \$36 million at San Diego Gas & Electric Company) to provide for the estimated cost of these matters. However, the uncertainties inherent in complex legal proceedings and, in particular, jury trial litigation make it difficult to estimate with any degree of certainty the costs and effects of resolving these matters. Accordingly, costs ultimately incurred may differ materially from estimated costs and could materially adversely affect the company's business, cash flows, results of operations and financial condition.

Additional legal proceeding involving the registrant, including other proceedings arising out of the California energy crisis, are described in the registrant's Annual Report on Form 10-K for the year ended December 31, 2004 and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005.

## **Item 9.01 Financial Statements and Exhibits**

Exhibit 99.1 -- Text of Stipulation in Continental Forge Litigation.

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### SIGNATURE

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

San Diego Gas & Electric Company

Date: September 8, 2005

By: /s/ S.D. Davis

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S.D. Davis  
Sr. Vice President-External Relations  
and Chief Financial Officer

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**TEXT OF STIPULATION IN CONTINENTAL FORGE LITIGATION**  
**(Captions and Signature Pages Omitted)**  
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SUPERIOR COURT OF THE STATE OF CALIFORNIA  
 COUNTY OF SAN DIEGO

Coordination Proceeding Special Title (Rule 1550(b))  NATURAL GAS ANTI-TRUST CASES I, II, III & IV  [This Document Relates to the Pipeline Cases Only]	J.C.C.P. Nos. 4221, 4224, 4226 and 4228  <b>STIPULATION AND [PROPOSED]                  ORDER REGARDING INITIAL TRIAL</b>  Trial Date: September 12, 2005 Department: 71 Coordination Trial Judge: Hon. Ronald S. Prager

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

WHEREAS, at the Status Conference in the above-captioned case on July 27, 2005 ("Status Conference"), the parties, with the Court's assistance, reached preliminary agreement as to several outstanding issues with respect to the size, scope, format, and binding effect of an initial trial ("Initial Trial") in this matter based on representations made in Court regarding the size of potential claims by Plaintiffs.

WHEREAS, since that time, the parties have clarified the scope of Plaintiffs' claims and have reached a new compromise as to the scope of an Initial Trial, which is set forth below.

WHEREAS, in light of the large number of Motions *in Limine*, and to accommodate the oral arguments for such motions and to allow sufficient time to address the effect of such rulings upon the Initial Trial, the Court also determined that the trial date for the Initial Trial in this matter will be continued from September 2, 2005, until no earlier than September 12, 2005.

NOW, THEREFORE, the parties to this Stipulation and Proposed Order, by and through their undersigned counsel, hereby memorialize the following stipulation:

1. 1. The Initial Trial will commence no earlier than September 12, 2005.
2. 2. The Initial Trial will be limited to:
  0. a. Residents of Ventura County, California, who were both: (i) residential natural gas core ratepayers of Southern California Gas Company during the time period July 1, 2000 to July 31, 2001; and (ii) residential electricity ratepayers of Southern California Edison Company during the time period July 1, 2000 to August 6, 2003 (collectively "Ventura Residential Sub-Class"); and
  1. b. Residents of California who were electricity residential ratepayers of Southern California Edison Company during the time period July 1, 2000 to August 6, 2003, except Residents of Ventura County ("Remaining Edison Residential Customers Sub-Class.")
3. 3. The Ventura Residential Sub-Class will be defined as a separate and distinct sub-class pursuant to California Rule of Court 1855(b) prior to the commencement of the Initial Trial that comprises members of larger classes already certified. The Court will certify the Ventura Residential Sub-Class in advance of the Initial Trial, without further notice to members of the Ventura Residential Sub-Class (all of whom are already in larger certified classes). The parties will ask the Court, after it has reviewed the entire record, to find and order that (1) the use of the sub-class definition for the Ventura Residential Sub-Class is for case management purposes and does not reflect a material or adverse change in any class members' rights, and does not add or subtract anyone from the case, and (2) the Court has looked at the notice issue and determined that notice is not necessary given the above and given the prior notice in this case. This certification will be without prejudice to Defendants' rights on a ppeal to challenge the appropriateness of any class certification in the coordinated Natural Gas Antitrust Cases, J.C.C.P., Nos. 4221, 4224, 4226 and 4228. The parties' intent in creating the Ventura Residential Sub-Class is to create a sub-class of plaintiffs whose claims will be finally resolved by the Initial Trial such that following trial and any post-verdict motions a final judgment can be entered as to the Ventura Residential Sub-Class claims and that such judgment would be appealable consistent with section 904.1 of the Code of Civil Procedure.

4. 4. The Remaining Edison Residential Customers Sub-Class will be defined as a separate and distinct sub-class pursuant to California Rule of Court 1855(b) prior to the commencement of the Initial Trial that comprises members of larger classes already certified. The Court will certify the Remaining Edison Residential Customers Sub-Class in advance of the Initial Trial, without further notice to members of the Remaining Edison Residential Customers Sub-Class (all of whom are already in larger certified classes). The parties will ask the Court, after it has reviewed the entire record, to find and order that (1) the use of the sub-class definition for the Remaining Edison Residential Customers Sub-Class is for case management purposes and does not reflect a material or adverse change in any class members' rights, and does not add or subtract anyone from the case, and (2) the Court has looked at the notice issue and determined that notice is not necessary given the above and given the prior notice in this case. This certification will be without prejudice to Defendants' rights on appeal to challenge the appropriateness of any class certification in the coordinated Natural Gas Antitrust Cases, J.C.C.P., Nos. 4221, 4224, 4226 and 4228. The parties' intent in creating the Remaining Edison Residential Customers Sub-Class is to resolve finally the electricity claims of this sub-class, even though the underlying gas claims of the Remaining Edison Residential Customers Sub-Class will not be litigated or resolved in the Initial Trial. The parties intend and agree, however, that any judgment entered following the jury's verdict in the Initial Trial concerning the Remaining Edison Residential Customers Sub-Class would be interlocutory, would be stayed, and not subject to execution or to appeal pursuant to section 904.1 of the Code of Civil Procedure until such time as the underlying gas claims of the members of this sub-class are finally resolved. Specifically, members of the Remaining Edison Residential Customers Sub-Class are also members of other certified classes with respect to their claims of damage suffered in the form of higher natural gas bills. Any judgment following a jury verdict on the Initial Trial would not resolve the amount of such separate natural gas damage claim suffered by the members of the Remaining Edison Residential Customers Sub-Class, if any. Such claims will be addressed and resolved by the resolution of the claims of other certified classes of which the members of the Remaining Edison Residential Customers Sub-Class are also members. Proceedings to resolve such additional claims will not commence until after full exhaustion of all rights to seek and obtain direct appellate review of a final judgment with respect to the Ventura Residential Sub-Class.
5. 5. Evidence as to liability, causation and damages for the Ventura Residential Sub-Class and the Remaining Edison Residential Customers Sub-Class will be presented at the Initial Trial prior to any deliberation by the jury. Jurors will then participate in a single deliberation to attempt to reach a verdict as to liability, causation and damages, if any, with respect to the Ventura Residential Sub-Class, and the Remaining Edison Residential Customers Sub-Class. With respect to electricity damages, the jury will return a single verdict for the total of the damages for residential electricity customers served by Edison. If the parties can agree prior to the jury commencing deliberation, the jury will then be asked to apply a particular percentage to the total damage amount, if any, awarded to residential electricity customers served by Edison in order to allocate the electricity damage award between the Ventura Residential Sub-Class and the Remaining Edison Customers Sub-Class. If the parties are unable to agree prior to the jury commencing deliberation, the parties agree that the Court will determine the allocation of the total damage amount awarded to residential bundled electricity customers served by Edison as between the Ventura Residential Sub-Class and the Remaining Edison Residential Customers Sub-Class.
6. 6. The Court shall only enter final judgment as to the Ventura Residential Sub-Class, and such judgment shall be subject to immediate appeal by the parties following exhaustion of any post-trial motions. It is the intent of the parties that as a result of the Initial Trial of the Ventura Residential Sub-Class claims, there be a final, appealable judgment entered. The Court shall enter an interlocutory judgment as to the electricity claims of the Remaining Edison Residential Customers Sub-Class, but such interlocutory judgment shall be stayed and the Court will not enter a final judgment after the verdict in the Initial Trial as to any other plaintiffs, including but not limited to the Remaining Edison Residential Customers Sub-Class. A final judgment consistent with CCP 901.4 shall not be entered as to the Remaining Edison Residential Customers Sub-Class until the underlying natural gas claims of the members of the Remaining Edison Residential Customers Sub-Class have also been adjudicated in separate, later proceedings, after exhaustion of all rights to seek and obtain direct appellate review from any final judgment from the Initial Trial as to the Ventura Residential Sub-Class.
7. 7. Subject to further order of the Court, all proceedings in this action shall be stayed pending exhaustion of all rights to seek and obtain direct appellate review of the final judgment as to the Ventura Residential Sub-Class entered as a result of the Initial Trial.
8. 8. After receiving the jury's verdict in the Initial Trial, prior to entry of judgment, the Court will resolve issues regarding Plaintiffs' Unfair Competition Law claims, any offsets or any other basis for challenging or reducing the verdict, and any other matters appropriately raised by the parties necessary to enter a final judgment as to the Ventura Residential Sub-Class claims and an interlocutory judgment as to the Remaining Edison Residential Customers Sub-Class' electricity claims.
9. 9. If the Initial Trial proceeds to a judgment, all parties to this Stipulation and [Proposed] Order (whether or not participating in the Initial Trial) agree to be bound by any judgments, rulings, and determinations in the Initial Trial as to common issues that become final after exhaustion of all appeals, to the extent that Defendants are bound by such judgments, rulings, and determinations pursuant to the doctrines of collateral estoppel and/or res judicata. Defendants agree that they will not challenge in subsequent trials the amount of damages, if any, from the jury's verdict in the Initial Trial as to the Remaining Edison Electricity Customers Sub-Class, but Defendants' agreement only becomes effective after full exhaustion of all rights to seek and obtain direct appellate review from a final judgment, if any, as to the Ventura Residential Sub-Class claims and only applies if the damages award is upheld on appeal. If for any reason the Initial Trial of the Ventura Residential Sub-Class fails to produce an immediately appealable final judgment pursuant to section 904.1 of the Code of Civil Procedure, the Parties hereto agree and understand that Plaintiffs may not execute on or seek to enforce or collect any judgment in their favor on the Ventura Residential Sub-Class claims

until after there is an appealable final judgment pursuant to Section 904.1 of the Code of Civil Procedure and full exhaustion of all rights to seek and obtain direct appellate review of the Ventura Residential Sub-Class Claims.

10. 10. The Plaintiffs set forth in the Second Amended Master Complaint, including all individual and class Plaintiffs, who are not among the Plaintiffs included in the Ventura Residential Sub-Class and Remaining Edison Residential Customers are allowed to participate through their counsel in the Initial Trial, as though their clients were actual litigants, by acting in conjunction with counsel for the Ventura Residential Sub-Class and Remaining Edison Residential Customers Sub-Class, who are Plaintiffs in the Initial Trial.
11. 11. The Plaintiffs agree that the maximum amount of any bond required by the Defendants to perfect any appeal in this action will not exceed \$75 million or any lesser amount determined by the Court.
12. 12. Nothing in this Stipulation limiting the Initial Trial to the Ventura Residential Sub-Class and the Remaining Edison Electricity Customers Sub-Class is intended in any way to limit the right of any party hereto to introduce otherwise relevant and admissible evidence at the Initial Trial on common issues with respect to the residential class members of liability, causation and fact of damages that otherwise would be admissible in a trial of the already certified classes, subject to the objection or motion *in limine* of any party and the resolution of any such objections or motions by the Court. Plaintiffs, however, agree that they will not call as a witness any class member who is not a member of the Ventura Residential Sub-Class or the Remaining Edison Residential Customers Sub-Class to testify in the Initial Trial. The Parties further hereto agree that any specific and unique issues of liability, causation and damages, as distinct from general, common issues relating to liability, causation and damages, if any, with respect to all natural gas and electricity ratepayers in Northern California shall not be part of the Initial Trial and no evidence with respect to specific and unique issues of Northern California liability, causation and damages, if any, will be presented during the course of the Initial Trial. The Parties hereto agree that these specific and unique Northern California issues will be addressed, if necessary, in a future trial. Nothing in this Stipulation is intended to limit in any way the right of any party hereto to object to otherwise inadmissible evidence.
13. 13. The parties will meet and confer as to the issues set forth in their respective Status Conference Statements that are not resolved by this Stipulation.