UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 10-Q

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

Commission file number 1-3779

## SAN DIEGO GAS & ELECTRIC COMPANY

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| California | 95-1184800 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

8330 Century Park Court, San Diego, California 92123
(Address of principal executive offices)
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No

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

Common stock outstanding: Wholly owned by Enova Corporation

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others, local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the California Public Utilities Commission, the California Legislature, the Department of Water Resources, and the Federal Energy Regulatory Commission; capital market conditions, inflation rates, interest rates and exchange rates; energy and trading markets, including the timing and extent of changes in commodity prices; weather conditions and conservation efforts; war and terrorist attacks; business, regulatory and legal decisions; the status of deregulation of retail natural gas and electricity delivery; the timing and success of business development efforts; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. Readers are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which affect the company's business described in this report and other reports filed by the company from time to time with the Securities and Exchange Commission.

ITEM 1. FINANCIAL STATEMENTS.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2003 | 2002 |
| OPERATING REVENUES | | |
| Electric | $ 397 | $ 278 |
| Natural gas | 165 | 149 |
| Total operating revenues | 562 | 427 |
| OPERATING EXPENSES | | |
| Electric fuel and net purchased power | 163 | 61 |
| Cost of natural gas distributed | 85 | 78 |
| Other operating expenses | 126 | 98 |
| Depreciation and amortization | 57 | 54 |
| Income taxes | 40 | 48 |
| Franchise fees and other taxes | 26 | 19 |
| Total operating expenses | 497 | 358 |
| Operating Income | 65 | 69 |
| Other Income and (Deductions) | | |
| Interest income | 2 | 3 |
| Regulatory interest -- net | (2) | (1) |
| Allowance for equity funds used during construction | | |

~~3 2 Income taxes on non-operating income (3) 2 Other - net --- 1 --- ----------- -- Total -- 7 ---------- ------ Interest Charges Long-term debt 17 20 Other 2 2 Allowance for borrowed funds used during construction (1) (1) ----- ----------- -- Total 18 21 ---------- -------- Net Income 47 55 Preferred Dividend Requirements 2 2 ---------- ------- Earnings Applicable to Common Shares $ 45 $ 53 ======= ======= See notes to Consolidated Financial Statements.~~

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
Dollars in millions
---------------
------------
March 31,
December 31,
2003 2002 -----
------- -------
----- ~~ASSETS Utility plant - at original cost $5,542 $5,408 Accumulated depreciation and amortization (2,488) (2,775) ------------- Utility plant - net 3,054 2,633 ------------- Nuclear decommissioning trusts 487 494 ------------- Current assets: Cash and cash equivalents 241 159 Accounts receivable -~~

~~trade 183 163 Accounts receivable -- other 19 18 Due from unconsolidated affiliates 131 292 Regulatory assets arising from fixed-price contracts and other derivatives 57 59 Other regulatory assets 76 75 Inventories 37 46 Other 22 11~~

~~Total current assets 766 823~~

~~Other assets: Deferred taxes recoverable in rates 182 190 Regulatory assets arising from fixed-price contracts and other derivatives 567 579 Other regulatory assets 322 342 Sundry 65 62 --~~

~~Total other assets 1,136 1,173 ---------- ----- Total assets $5,443 $5,123 ====== ====== See notes to Consolidated Financial Statements.~~

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
Dollars in millions
---------------
------------
March 31,
December 31,
2003 2002 -----
------- -------
-----

~~CAPITALIZATION AND LIABILITIES Capitalization: Common stock (255,000,000 shares authorized; 116,583,358 shares outstanding) $ 943 $ 943 Retained earnings 230 235 Accumulated other comprehensive income (loss)~~

~~(40) (34) ---~~
~~----------- Total~~
~~common equity~~
~~1,133 1,144~~
~~Preferred stock~~
~~not subject to~~
~~mandatory~~
~~redemption 79~~
~~79 -----------~~
~~-- Total~~
~~shareholders'~~
~~equity 1,212~~
~~1,223 Preferred~~
~~stock subject~~
~~to mandatory~~
~~redemption 24~~
~~25 Long-term~~
~~debt 1,136~~
~~1,153 ---------~~
~~----- Total~~
~~capitalization~~
~~2,372 2,401 ---~~
~~----------~~
~~Current~~
~~liabilities:~~
~~Accounts~~
~~payable 187 159~~
~~Interest~~
~~payable 13 12~~
~~Due to~~
~~unconsolidated~~
~~affiliates 2 3~~
~~Income taxes~~
~~payable 6 41~~
~~Deferred income~~
~~taxes 46 53~~
~~Regulatory~~
~~balancing~~
~~accounts -- net~~
~~413 394 Fixed-~~
~~price contracts~~
~~and other~~
~~derivatives 57~~
~~59 Current~~
~~portion of~~
~~long-term debt~~
~~66 66 Other 190~~
~~170 -----------~~
~~-- Total~~
~~current~~
~~liabilities 980~~
~~957 -----------~~
~~--- Deferred~~
~~credits and~~
~~other~~
~~liabilities:~~
~~Customer~~
~~advances for~~
~~construction 56~~
~~54 Deferred~~
~~income taxes~~
~~587 602~~
~~Deferred~~
~~investment tax~~
~~credits 42 42~~
~~Fixed-price~~
~~contracts and~~
~~other~~
~~derivatives 567~~
~~579 Due to~~
~~unconsolidated~~
~~affiliates 16~~
~~16 Regulatory~~
~~liabilities~~
~~arising from~~
~~asset~~
~~retirement~~
~~obligations 187~~
~~-- Asset~~
~~retirement~~
~~obligations 302~~

~~----- Deferred credits and other liabilities 334 472 --------------- Total deferred credits and other liabilities 2,091 1,765 ------ ------- Contingencies and commitments (Note 3) Total liabilities and shareholders' equity $5,443 $5,123 ====== ====== See notes to Consolidated Financial Statements.~~

SAN DIEGO GAS & ELECTRIC COMPANY AND SUBSIDIARY
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
Dollars in millions
Three Months Ended March 31,
------------------ 2003 2002 ------- -------

~~CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 47 $ 55 Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization 57 54 Deferred income taxes and investment tax credits (8) (6) Non-cash rate reduction bond expense 17 22 Other -- net (2) -- Changes in other assets -- 52 Changes in other liabilities -- 3 Net change in other working capital components (5) 61 --------------- Net cash provided by operating activities 106 241 --------------- CASH FLOWS FROM INVESTING ACTIVITIES Capital expenditures (89) (77) Loan to/from affiliate -- net~~

~~138 (149) Contributions to decommissioning funds (1) (1) Other - net (2) (2) ------------ ----- Net cash provided by (used in) investing activities 46 (229) ---------- ------- CASH FLOWS FROM FINANCING ACTIVITIES Dividends paid (52) (2) Payments on long-term debt (17) (17) Redemptions of preferred stock (1) ------------ ---------- Net cash used in financing activities (70) (19) ------------ ------- Increase (decrease) in cash and cash equivalents 82 (7) Cash and cash equivalents, January 1 159 322 ------------ ----- Cash and cash equivalents, March 31 $ 241 $ 315 ======= ======= SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Interest payments, net of amounts capitalized $ 16 $ 17 ======= ======= Income tax payments $ 86 $ -- ======= ======= See notes to Consolidated Financial Statements.~~

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

This Quarterly Report on Form 10-Q is that of San Diego Gas & Electric Company (SDG&E or the company). SDG&E's common stock is wholly owned by Enova Corporation (Enova), which is a wholly owned subsidiary of Sempra Energy, a California-based Fortune 500 holding company. The financial statements herein are the Consolidated Financial Statements of SDG&E and its sole subsidiary, SDG&E Funding LLC.

Sempra Energy also indirectly owns all of the common stock of Southern California Gas Company (SoCalGas). SDG&E and SoCalGas are collectively referred to herein as "the California Utilities."

The accompanying Consolidated Financial Statements have been prepared in accordance with the interim-period-reporting requirements of Form 10-Q. Results of operations for interim periods are not necessarily indicative of results for the entire year. In the opinion of management, the accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are only of a normal recurring nature. Certain changes in classification have been made to prior presentations to conform to the current financial statement presentation.

Information in this Quarterly Report is unaudited and should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 2002 (Annual Report).

The company's significant accounting policies are described in Note 1 of the notes to Consolidated Financial Statements in the Annual Report. The same accounting policies are followed for interim reporting purposes.

As described in the notes to Consolidated Financial Statements in the Annual Report, SDG&E accounts for the economic effects of regulation on utility operations (excluding generation operations) in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71).

COMPREHENSIVE INCOME

The following is a reconciliation of net income to comprehensive income.

| (Dollars in millions) | Three months ended March 31, 2003 | 2002 |
|---|---|---|
| Net income | $ 47 | $ 55 |
| Minimum pension liability adjustments | (6) | -- |
| Comprehensive income | $ 41 | $ 55 |

2. NEW ACCOUNTING STANDARDS

SFAS 143, "Accounting for Asset Retirement Obligations": The adoption of SFAS 143 on January 1, 2003 resulted in the recording of an addition of $71 million to utility plant, representing the company's share of the San Onofre Nuclear Generating Station (SONGS) estimated future decommissioning costs (as discounted to the present value at the dates the units began operation) and accumulated depreciation of $41 million related to the increase to utility plant, for a net increase of $30 million. In addition, the company recorded a corresponding retirement obligation liability of $309 million (which includes accretion of that discounted value to December 31, 2002) and a regulatory liability of $215 million to reflect that SDG&E has collected the funds from its customers more quickly than SFAS 143 would accrete the retirement liability and depreciate the asset. These liabilities, less the $494 million recorded as accumulated depreciation prior to January 1, 2003 (which represents amounts collected for future decommissioning costs), comprise the offsetting $30 million.

On January 1, 2003, the company recorded additional asset retirement obligations of $10 million associated with the future retirement of a former power plant.

The change in the asset retirement obligations for the three months ended March 31, 2003 is as follows (dollars in millions):

| | |
|---|---|
| Balance as of January 1, 2003 | $ -- |
| Adoption of SFAS 143 | 319 |
| Accretion expense | 5 |
| Balance as of March 31, 2003 | $ 324* |

*A portion of the obligation is included in other current liabilities on the Consolidated Balance Sheets.

Except for the items noted above, the company has determined that there are no other material retirement obligations associated with tangible long-lived assets.

## 3. MATERIAL CONTINGENCIES

### ELECTRIC INDUSTRY REGULATION

The restructuring of California's electric utility industry has significantly affected the company's electric utility operations. The background of this issue is described in the Annual Report. Subsequent developments are described herein.

Subsequent to the electric capacity shortages of 2000-2001, SDG&E's service territory has had and continues to have an adequate supply of electricity. However, various projections of electricity demand in SDG&E's service territory indicate that, without additional electrical generation or reductions in electrical usage, beginning in 2005 electricity demand could begin to outstrip available resources. SDG&E's strategy for meeting this demand is to: (1) reduce power demand through conservation and efficiency; (2) increase the supply of electricity from renewable sources, including wind and solar; (3) establish new transmission lines by 2008 to import more power; and (4) provide new electric generation by 2005 to meet the expected shortfall. SDG&E is preparing a request for proposals to meet the electric capacity shortfall, estimated at 69 megawatts in 2005. In addition, SDG&E is ahead of the interim schedule in meeting the requirement of obtaining 20 percent of its electricity from renewable sources by 2017.

The power crisis of 2000-2001 has caused the California Public Utilities Commission (CPUC) to adjust its plan for deregulation of electricity. In addition, several California state agencies, including the CPUC, the Consumer Power and Conservation Financing Authority, and the Energy Resources Conservation and Development Commission, recently issued a draft Energy Action Plan for California. The plan calls for a continuation of regulated electricity rates and existing direct access contracts, increased conservation, more renewable energy, and a stable regulatory environment that encourages private investment in the state.

Senate Bill 888, introduced on February 21, 2003, would repeal the provisions of Assembly Bill 1890, which enacted electric industry restructuring in September 1996. In addition, Senate Bill 429, introduced on February 20, 2003, would subject the company and other California energy-utility holding companies to the continuing authority of the CPUC to enforce any condition placed upon their authorizations to acquire their California utility subsidiaries, including obligations to give first priority to the capital requirements of the utilities as determined by the CPUC to be necessary to meet the utilities' obligations to serve. It would also require that the CPUC order the holding companies to infuse into the utility subsidiaries sufficient capital, of any type deemed necessary by the CPUC, to enable the utilities to fulfill their service obligations. The likelihood of passage of either bill is not known.

The CPUC has undertaken a proceeding and issued several decisions establishing the framework, rules and processes that governed SDG&E's return to the responsibility of procuring electricity for its customers. These include decisions (1) allocating to California's investor-owned utilities (IOUs) the power from the long-term contracts entered into by the California Department of Water Resources (DWR), with the DWR retaining the legal and financial responsibility for the contracts; (2) adopting an Operating Agreement between SDG&E and the DWR to govern the terms and conditions for SDG&E's administration of DWR contracts; (3) adopting annual procurement plans that include securing supplies to satisfy SDG&E's additional power requirements; (4) adopting a 20-year resource plan to assess SDG&E's resource needs, emphasizing the next five years; and (5) developing the criteria by which the acceptability and recovery of procurement transactions will be determined, including possible development of a procurement incentive mechanism.

The DWR's Operating Agreement with SDG&E, approved by the CPUC, governs SDG&E's relationship with the DWR now that SDG&E has assumed administration of the assigned DWR contracts. The agreement provides that SDG&E is acting as a limited agent on behalf of the DWR in undertaking energy sales and natural gas procurement functions under the DWR contracts allocated to its customers. Legal and financial risks associated with these activities will continue to reside with the DWR. However, in certain circumstances SDG&E may be obligated to provide lines of credit in connection with its allocated contracts. On April 17, 2003, SDG&E filed its natural gas procurement plan related to certain DWR contracts.

## NATURAL GAS INDUSTRY RESTRUCTURING

As discussed in Note 11 of the notes to Consolidated Financial Statements in the Annual Report, in December 2001 the CPUC issued a decision related to natural gas industry restructuring, with implementation anticipated during 2002. During 2002 the California Utilities filed a proposed implementation schedule and revised tariffs and rules required for implementation. However, on February 27, 2003, the CPUC issued a resolution rejecting without prejudice those proposed tariffs and rules. If the December 2001 decision is implemented, it is not expected to adversely affect the California Utilities' earnings.

## BORDER PRICE INVESTIGATION

In November 2002, the CPUC instituted an investigation into the Southern California natural gas market and the price of natural gas delivered to the California-Arizona (CA-AZ) border during the period of March 2000 through May 2001. If the investigation determines that the conduct of any respondent contributed to the natural gas price spikes at the CA-AZ border during this period, the CPUC may modify the respondent's applicable natural gas procurement incentive mechanism, reduce the amount of any shareholder award for the period involved, and/or order the respondent to issue a refund to ratepayers to offset the higher rates paid. The California Utilities, included among the respondents to the investigation, are fully cooperating in the investigation and believe that the CPUC will ultimately determine that they were not responsible for the high border prices during this period. Hearings have been scheduled for the Fall of 2003 and a decision is expected in 2004.

## CPUC INVESTIGATION OF COMPLIANCE WITH AFFILIATE RULES

On February 27, 2003, the CPUC opened an investigation of the business activities of SDG&E, SoCalGas and Sempra Energy to ensure that they have complied with relevant statutes and CPUC decisions in the management, oversight and operations of their companies. The CPUC will evaluate energy-related business activities undertaken by Sempra Energy within the service territories of SDG&E and SoCalGas, relative to holding company systems and affiliate activities. In accordance with a December 16, 1997 CPUC order, the California Utilities' transactions with other Sempra Energy affiliates have been audited each year and there have been no adverse findings in those audits.

## COST OF SERVICE

Although the California Utilities requested that a decision in their Cost of Service applications be effective January 1, 2004, the CPUC commissioner assigned to the applications has adopted a procedural schedule that would prevent the CPUC from issuing a decision before the second quarter of 2004. The California Utilities have filed a motion seeking reconsideration of this ruling. The motion also seeks authorization to implement an interim rate increase on January 1, 2004 to reflect an anticipated cost of service decision with any increase in rates to be subject to refund upon the final determination by the CPUC.

## PERFORMANCE-BASED REGULATION (PBR)

On March 28, 2003, SDG&E filed its 2002 Distribution PBR Performance Report with the CPUC. For 2002, SDG&E exceeded the PBR benchmarks on five of its six performance indicators, recording a total net reward of $6 million out of a total possible reward of $14.5 million under the mechanism. The reward is subject to CPUC approval.

On March 19, 2003, the CPUC's Office of Ratepayer Advocates (ORA) issued its Monitoring and Evaluation Report on SDG&E's natural gas procurement activities in Year 9 (August 1, 2001 through July 31, 2002). The ORA analyzed and confirmed the PBR results put forth by SDG&E resulting in a Year 9 shared loss of $1.9 million and a shareholder penalty of $1.4 million. The ORA recommended the extension of the PBR mechanism, as modified in Years 8 and 9, to Year 10. The ORA has stated that the CPUC's adoption of the natural gas procurement PBR mechanism is beneficial to both ratepayers and shareholders of SDG&E.

SDG&E's request for a reward of $6.7 million for the PBR natural gas procurement period ended July 31, 2001 (Year 8) was approved by the CPUC on January 30, 2003. Since part of the reward calculation is based on CA-AZ natural gas border price indices, the decision reserved the right to revise the reward in the future, depending on the outcome of the CPUC's border price investigation (see above) and the FERC's investigation into alleged energy price manipulation (see below).

TRANSMISSION RATE INCREASE

On May 2, 2003, the FERC authorized SDG&E's request for modification of its Transmission Owner Tariff (TO Tariff) to adopt a rate increase and recover its costs ($20 million through December 31, 2002) associated with the Valley-Rainbow transmission project. The new transmission rates are effective October 1, 2003, and will increase the charges for retail transmission service by $32.3 million (27 percent). The FERC has not yet approved the rates or the Valley-Rainbow costs and the new rates are subject to refund once the rate case is concluded.

FERC ACTIONS

The FERC is investigating prices charged to buyers in the California Power Exchange (PX) and Independent System Operator (ISO) markets by various electric suppliers. It is seeking to determine the extent to which individual sellers have yet to be paid for power supplied during the period of October 2, 2000 through June 20, 2001 and to estimate the amounts by which individual buyers and sellers paid and were paid in excess of competitive market prices. Based on these estimates, the FERC could find that individual net buyers, such as SDG&E, are entitled to refunds and individual net sellers are obliged to provide refunds. To the extent any such refunds are actually realized by SDG&E, they would reduce SDG&E's rate-ceiling balancing account.

In December 2002, a FERC administrative law judge (ALJ) issued preliminary findings indicating that California owes power suppliers $1.2 billion (the $3.0 billion that California still owes energy companies less $1.8 billion energy companies might have overcharged California). On March 26, 2003, the FERC largely adopted the ALJ's findings, but expanded the basis for refunds by adopting a staff recommendation from a separate investigation to change the natural gas proxy component of the mitigated market clearing price that is used to calculate refunds. The March 26 order estimates that the replacement formula for estimating natural gas prices will increase the refund totals to more than $3.0 billion. The precise number will not be available until the ISO and PX recalculate the number through their settlement models based on the final FERC instructions. California is seeking $8.9 billion in refunds and has appealed the FERC's preliminary findings and requested rehearing of the March 26 order. The power sellers have joined in appeal of the FERC's preliminary findings and requested rehearing.

In addition to the refund proceeding described above, the FERC is also investigating whether there was manipulation of short-term energy prices in the West that would constitute violations of applicable tariffs and warrant disgorgement of associated profits. In this proceeding, the FERC has authority to look at time periods outside of the October 2, 2000 through June 20, 2001 period relevant to the refund proceeding. In May 2002 the FERC ordered all energy companies engaged in electric energy trading activities to state whether they had engaged in various specific trading activities described as manipulating or "gaming" the California energy markets. In response to the inquiry, SDG&E did disclose and explain a single de minimus 100-mW transaction for the export of electricity out of California. In response to a related FERC inquiry regarding natural gas trading, the California Utilities have denied engaging in "wash" or "round trip" trading activities. The companies are also cooperating with the FERC and other governmental agencies and officials in their various investigations of the California energy markets.

On March 26, 2003, the FERC released the staff's final report on the market manipulation issue. Among other things, the staff recommends that 37 companies, including SDG&E, comment on whether the FERC should issue a "show cause" order that, if issued, would require them to establish that their activities did not constitute "gaming" or "anomalous market behavior" in violation of the ISO and PX tariffs. If the FERC were to conclude that tariff violations had occurred, it could order various remedies including recovery of profits and suspension or termination of market-based trading authority.

NUCLEAR INSURANCE

SDG&E and the other co-owners of SONGS have insurance to respond to any nuclear liability claims related to SONGS. The insurance policy provides $300 million in coverage, which is the maximum amount available. In addition to this primary financial protection, the Price-Anderson Act provides for up to $9.25 billion of secondary financial protection if the liability loss exceeds the insurance limit. Should any of the licensed/commercial reactors in the United States experience a nuclear liability loss which exceeds the $300 million insurance limit, all utilities owning nuclear reactors could be assessed under the Price-Anderson Act to provide the secondary financial protection. SDG&E and the other co-owners of SONGS could be assessed up to $176 million under the Price-Anderson Act. SDG&E's share would be $36 million unless default occurs by any other SONGS co-owner. In the event the secondary financial protection limit is insufficient to cover the liability loss, the Price-Anderson Act provides for Congress to enact further revenue raising measures to pay claims. These measures could include an additional assessment on all licensed reactor operators. SDG&E and the other co-owners of SONGS have $2.75 billion of nuclear property, decontamination and debris removal insurance.

The coverage also provides the SONGS owners up to $490 million for outage expenses incurred because of accidental property damage. This coverage is limited to $3.5 million per week for the first 52 weeks, and $2.8 million per week for up to 110 additional weeks. Coverage is also provided for the cost of replacement power, which includes indemnity payments for up to three years, after a waiting period of 12 weeks. The insurance is provided through a mutual insurance company owned by utilities with nuclear facilities. Under the policy's risk sharing arrangements, insured members are subject to retrospective premium assessments if losses at any covered facility exceed the insurance company's surplus and reinsurance funds. Should there be a retrospective premium call, SDG&E could be assessed up to $7.2 million.

Both the nuclear liability and property insurance programs include industry aggregate limits for SONGS losses, including replacement power costs, resulting from acts of terrorism.

LITIGATION

Lawsuits filed in 2000 and currently consolidated in San Diego Superior Court seek class-action certification and damages, alleging that Sempra Energy, SoCalGas and SDG&E, along with El Paso Energy Corp. and several of its affiliates, unlawfully sought to control natural gas and electricity markets. In March 2003, plaintiffs in these cases and the applicable El Paso Corp. entities announced that they had reached a settlement in principle of the class actions, certain of the individual actions, claims asserted by the California Attorney General and by other western states, and certain complaint proceedings filed with FERC by the CPUC and the California Energy Oversight Board. The terms of the settlement remain subject to approval by the relevant state courts and the FERC. One of the settlement terms provides that El Paso will assist the plaintiffs in their litigation against the remaining defendants.

In April 2003, Sierra Pacific and its utility subsidiary Nevada Power jointly filed a lawsuit in U.S. District Court in Las Vegas against major natural gas suppliers, including Sempra Energy and the California Utilities, seeking damages resulting from an alleged conspiracy to drive up or control natural gas prices, eliminate competition and increase market volatility.

Various lawsuits, which seek class-action certification, allege that Sempra Energy and certain company subsidiaries unlawfully manipulated the electric-energy market. In January 2003, the applicable Federal Court granted a motion to dismiss a similar lawsuit on the grounds that the claims contained in the complaint were subject to the Filed Rate Doctrine and were preempted by the Federal Power Act. That ruling has been appealed.

Except for the matters referred to above, neither the company nor its subsidiary are party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses.

Management believes that none of these matters will have a material adverse effect on the company's financial condition or results of operations.

4. FINANCIAL INSTRUMENTS

Note 8 of the notes to Consolidated Financial Statements in the Annual Report discusses the company's financial instruments, including the adoption of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which recognizes all derivatives as either assets or liabilities on the balance sheet, measures those instruments at fair value, and recognizes any changes in the fair value of derivatives in earnings for the period that the change occurs unless the derivative qualifies as an effective hedge that offsets certain exposure.

The company utilizes derivative financial instruments to manage its exposure to unfavorable changes in commodity prices, which are subject to significant and often volatile fluctuations. Derivative financial instruments include futures, forwards, swaps, options and long-term delivery contracts. These contracts allow the company to predict with greater certainty the effective prices to be received by the company and, in the case of the California Utilities, their customers. As allowed under SFAS 133, the company has elected to take the normal purchases and sales exception for certain contracts that are settled by physical delivery. These contracts are accounted for at historical cost with gains and losses reflected in the income statement at the contract settlement date.

Fixed-price contracts and other derivatives on the Consolidated Balance Sheets primarily reflect the company's derivative gains and losses related to long-term delivery contracts for purchased power and natural gas transportation. The company has established regulatory assets and liabilities to the extent that these gains and losses are recoverable or payable through future rates. The changes in fixed-price contracts and other derivatives on the consolidated balance sheets for the three months ended March 31, 2003 were primarily due to physical deliveries under long-term purchased-power and natural gas transportation contracts. The transactions associated with fixed-price contracts and other derivatives had no material impact to the Statements of Consolidated Income for the three months ended March 31, 2003 or 2002.

ITEM 2.

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

The following discussion should be read in conjunction with the financial statements contained in this Form 10-Q and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Annual Report.

### RESULTS OF OPERATIONS

Electric revenues increased to $397 million in 2003 from $278 million in 2002, and the cost of electric fuel and purchased power increased to $163 million in 2003 from $61 million in 2002. These changes were mainly due to the effect of the DWR's purchasing the net short position of SDG&E during 2002, and changes in electric commodity costs and the increases in authorized revenue to recover increases in sales volumes. Under the current regulatory framework, changes in commodity costs normally do not affect net income. The commodity costs associated with the DWR's purchases and the corresponding sale to SDG&E's customers are not included in the Statements of Consolidated Income as SDG&E was merely transmitting the electricity from the DWR to the customers, acting as a conduit to pass through the electricity from the DWR to the customers. During 2003, costs associated with long-term contracts allocated to SDG&E from the DWR were likewise not included in the income statement, since the DWR retains legal and financial responsibility for these contracts.

Natural gas revenues increased to $165 million in 2003 from $149 million in 2002, and the cost of natural gas distributed increased to $85 million in 2003 from $78 million in 2002. These changes were primarily attributable to natural gas cost increases, which are passed on to customers, partially offset by reduced volumes.

Under the current regulatory framework, changes in core-market natural gas prices (natural gas purchased for customers that are primarily residential and small commercial and industrial customers without alternative fuel capability) or consumption levels do not affect net income, since core customer rates generally recover the actual cost of natural gas on a substantially concurrent basis and consumption levels are fully balanced. However, SDG&E's gas procurement PBR mechanism provides an incentive mechanism by measuring SDG&E's procurement of gas against a benchmark price comprised of monthly gas indices, resulting in shareholder rewards for costs achieved below the benchmark and shareholder penalties when costs exceed the benchmark.

The tables below summarize the electric and natural gas volumes and revenues by customer class for the three months ended March 31, 2003 and 2002.

Electric Distribution and Transmission
(Volumes in millions of kWhs, dollars in millions)

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | Volumes | Revenue | Volumes | Revenue |
| Residential | 1,672 | $ 184 | 1,658 | $ 174 |
| Commercial | 1,454 | 150 | 1,425 | 138 |
| Industrial | 437 | 35 | 419 | 33 |
| Direct access | 806 | 18 | 803 | 24 |
| Street and highway lighting | 23 | 2 | 22 | 2 |
| Off system sales | 23 | 1 | | |
| | 4,415 | 390 | 4,327 | 371 |
| Balancing accounts and other | | 7 | | (93) |
| Total | 4,415 | $ 397 | 4,327 | $ 278 |

Although commodity-related revenues from the DWR's purchasing of SDG&E's net short position or from the DWR's allocated contracts are not included in revenue, the associated volumes and distribution revenue are included herein.

Gas Sales, Transportation and Exchange
(Volumes in billion cubic feet, dollars in millions)

Gas Sales
Transportation
& Exchange

Total -------
-------------
-------------
-------------
-------------
---------
Volumes
Revenue
Volumes
Revenue
Volumes
Revenue -----
-------------
-------------
-------------
-------------
----------
~~2003:~~
~~Residential~~
~~11 $ 100 $~~
~~11 $ 100~~
~~Commercial~~
~~and~~
~~industrial 6~~
~~37 1 1 7 38~~
~~Electric~~
~~generation~~
~~plants~~
~~17 7 17 7~~

~~17 $~~
~~137 18 $ 8 35~~
~~145 Balancing~~
~~accounts and~~
~~other 20~~
~~Total $~~
~~165 ---------~~

~~---- 2002:~~
~~Residential~~
~~13 $ 100 -- $~~
~~-- 13 $ 100~~
~~Commercial~~
~~and~~
~~industrial 5~~
~~30 2 3 7 33~~
~~Electric~~
~~generation~~
~~plants~~
~~20 6 20 6~~

~~18 $~~
~~130 22 $ 9 40~~
~~139 Balancing~~
~~accounts and~~
~~other 10~~
~~Total $~~
~~149~~

Net income for SDG&E decreased to $47 million in 2003 compared to $55 million in 2002, primarily due to the end of sharing of the merger savings and increased depreciation and operating expenses, partially offset by a $6.7 million (pretax) natural gas procurement PBR reward.

## CAPITAL RESOURCES AND LIQUIDITY

The company's operations are the major source of liquidity. In addition, working capital requirements can be met through the issuance of short-term and long-term debt. Cash requirements primarily consist of capital expenditures for utility plant. At March 31, 2003, the company had $241 million in cash and $300 million in unused, committed lines of credit available.

Management believes these amounts, cash flows from operations, and new debt issuances will be adequate to finance capital expenditure requirements, and other commitments. Management continues to regularly monitor the company's ability to adequately meet the needs of its operating, financing and investing activities.

## CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities totaled $106 million and $241 million for the three months ended March 31, 2003 and 2002, respectively. The decrease in cash flows from operations was attributable to the $86 million income tax payment in the 2003 quarter, reduced overcollections of balancing accounts in 2003 and the higher continuing recovery of the AB 265 undercollection in 2002.

## CASH FLOWS FROM INVESTING ACTIVITIES

Net cash provided by (used in) investing activities totaled $46 million and $(229) million for the three months ended March 31, 2003 and 2002, respectively. The change in cash flows from investing activities was attributable to payments by Sempra Energy on notes due to SDG&E in 2003. In the first quarter of 2002, advances were made to Sempra Energy from cash generated by operating activities.

Capital expenditures for property, plant and equipment are estimated to be $400 million for the full year 2003 and are being financed primarily by internally generated funds and security issuances. Construction, investment and financing programs are continuously reviewed and revised in response to changes in competition, customer growth, inflation, customer rates, the cost of capital, and environmental and regulatory requirements.

## CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities totaled $70 million and $19 million for the three months ended March 31, 2003 and 2002, respectively. The change in cash flows from financing activities was attributable to dividends paid to Sempra Energy of $50 million in 2003. In the first quarter of 2002, no dividends were paid to Sempra Energy.

## FACTORS INFLUENCING FUTURE PERFORMANCE

Performance of the company will depend primarily on the ratemaking and regulatory process, electric and natural gas industry restructuring, and the changing energy marketplace. These factors are discussed in the Annual Report and in Note 3 of the notes to Consolidated Financial Statements herein.

### Electric Industry Restructuring and Electric Rates

Supply/demand imbalances and a number of other factors resulted in abnormally high electric-commodity costs beginning in mid-2000 and continuing into 2001. This caused SDG&E's customer bills to be substantially higher than normal. In response, legislation enacted in September 2000 imposed a ceiling on the cost of electricity that SDG&E could pass on to its small-usage customers on a current basis. SDG&E accumulated the amount that it paid for electricity in excess of the ceiling rate in an interest-bearing balancing account, which it continues to collect from its customers.

Subsequent to the electric capacity shortages of 2000-2001, SDG&E's service territory has had and continues to have an adequate supply of electricity. However, various projections of electricity demand in SDG&E's service territory indicate that, without additional electrical generation or reductions in electrical usage, beginning in 2005 electricity demand could begin to outstrip available resources. SDG&E's strategy for meeting this demand is to: (1) reduce power demand through conservation and efficiency; (2) increase the supply of electricity from renewable sources, including wind and solar; (3) establish new transmission lines by 2008 to import more power; and (4) provide new electric generation by 2005 to meet the expected shortfall. SDG&E is preparing a request for proposals to meet the electric capacity shortfall, estimated at 69 megawatts in 2005. In addition, SDG&E is ahead of the interim schedule in meeting the requirement of obtaining 20 percent of its electricity from renewable sources by 2017.

The power crisis of 2000-2001 has caused the California Public Utilities Commission (CPUC) to adjust its plan for deregulation of electricity. In addition, several California state agencies, including the CPUC, the Consumer Power and Conservation Financing Authority, and the Energy Resources Conservation and Development Commission, recently issued a draft Energy Action Plan for California. The plan calls for a continuation of regulated electricity rates and existing direct access contracts, increased conservation, more renewable energy, and a stable regulatory environment that encourages private investment in the state.

The CPUC has undertaken a proceeding and issued several decisions establishing the framework, rules and processes that governed SDG&E's return to the responsibility of procuring electricity for its customers. These include decisions (1) allocating to California's investor-owned utilities (IOUs) the power from the long-term contracts entered into by the California Department of Water Resources (DWR), with the DWR retaining the legal and financial responsibility for the contracts; (2) adopting an Operating Agreement between SDG&E and the DWR to govern the terms and conditions for SDG&E's administration of DWR contracts; (3) adopting annual procurement plans that include securing supplies to satisfy SDG&E's additional power requirements; (4) adopting a 20-year resource plan to assess SDG&E's resource needs, emphasizing the next five years; and (5) developing the criteria by which the acceptability and recovery of procurement transactions will be determined, including possible development of a procurement incentive mechanism.

See additional discussion of this and related topics in Note 3 of the notes to Consolidated Financial Statements.

Natural Gas Restructuring and Gas Rates

As discussed in the Annual Report, in December 2001 the CPUC issued a decision related to natural gas industry restructuring, with implementation anticipated during 2002. During 2002 the California Utilities filed a proposed implementation schedule and revised tariffs and rules required for implementation. However, on February 27, 2003, the CPUC issued a resolution rejecting without prejudice those proposed tariffs and rules. If the December 2001 decision is implemented, it is not expected to adversely affect the California Utilities' earnings.

Cost of Service

Although the California Utilities requested that a decision in their Cost of Service applications be effective January 1, 2004, the CPUC commissioner assigned to the applications has adopted a procedural schedule that would prevent the CPUC from issuing a decision before the second quarter of 2004. The California Utilities have filed a motion seeking reconsideration of this ruling. The motion also seeks authorization to implement an interim rate increase on January 1, 2004 to reflect an anticipated cost of service decision with any increase in rates to be subject to refund upon the final determination by the CPUC.

NEW ACCOUNTING STANDARDS

New pronouncements that have recently become effective or that are yet to be effective are SFAS 143 and 148, Interpretations 45 and 46, EITF 02-3, and the rescission of EITF 98-10. SFAS 143 requires accounting and disclosure changes concerning legal obligations related to future asset retirements. SFAS 148 amends SFAS 123 and adds two additional transition methods to the fair value method of accounting for stock-based compensation. Interpretation 45 clarifies that a guarantor is required to recognize a liability for the fair value of obligations undertaken in issuing guarantees. Interpretation 46 addresses consolidation by business enterprises of variable-interest entities (previously referred to as "special-purpose entities" in most cases).

SFAS 143, "Accounting for Asset Retirement Obligations" is the only one of the above that is material to the company. Issued in July 2001, SFAS 143 addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets. It requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The company has adopted SFAS 143 beginning January 1, 2003. See further discussion in Note 2 of the notes to Consolidated Financial Statements.

ITEM 3. MARKET RISK

There have been no significant changes in the risk issues affecting the company subsequent to those discussed in the Annual Report.

As of March 31, 2003, the total Value at Risk of SDG&E's natural gas positions was not material.

ITEM 4. CONTROLS AND PROCEDURES

The company has designed and maintains disclosure controls and procedures to ensure that information required to be disclosed in the company's reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating these controls and procedures, management recognizes that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives and necessarily applies judgment in evaluating the cost-benefit relationship of other possible controls and procedures.

Under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the company within 90 days prior to the date of this report has evaluated the effectiveness of the design and operation of the company's disclosure controls and procedures. Based on that evaluation, the company's Chief Executive Officer and Chief Financial Officer have concluded that the controls and procedures are effective.

There have been no significant changes in the internal controls or in other factors that could significantly affect the internal controls subsequent to the date the company completed its evaluation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except as described in Note 3 of the notes to Consolidated Financial Statements, neither the company nor its subsidiary is party to, nor is their property the subject of, any material pending legal proceedings other than routine litigation incidental to their businesses.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 12 - Computation of ratios

12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

99.1 Statements of Registrant's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

The following report on Form 8-K was filed after December 31, 2002:

Current Report on Form 8-K filed May 1, 2003, filing as an exhibit Sempra Energy's press release of May 1, 2003, giving the financial results for the three months ended March 31, 2003.

SIGNATURE

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

SAN DIEGO GAS & ELECTRIC COMPANY
(Registrant)

Date: May 5, 2003 By: /s/ D.L. Reed
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D.L. Reed
President and
Chief Financial Officer

CERTIFICATIONS

I, Edwin A. Guiles, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of San Diego Gas & Electric Company;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements and other financial information included in this Quarterly Report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and

c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 5, 2003

/S/ EDWIN A. GUILES
Edwin A. Guiles
Chief Executive Officer

I, Debra L. Reed, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of San Diego Gas & Electric Company;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements and other financial information included in this Quarterly Report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and

c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 5, 2003

/S/ DEBRA L. REED
Debra L. Reed
Chief Financial Officer

EXHIBIT 12.1

SAN DIEGO GAS & ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES

AND PREFERRED STOCK DIVIDENDS

(Dollars in millions)

For the three month ended March 31, 1999 2000 2001 2002 2003 - ------- --- ----- ----- --- ------- - --------

~~Fixed Charges and Preferred Stock Dividends: Interest $131 $119 $ 96 $ 83 $ 19 Interest portion of annual rentals 5 3 3 4 1~~

~~Total Fixed Charges 136 122 99 87 20 Preferred Stock Dividends(1) 10 13 11 9 4~~

~~-- Combined Fixed Charges and Preferred Stock Dividends For Purpose of Ratio $146 $135 $110 $ 96 $ 24 ======== ======== ======== ======== ========~~

~~Earnings: Pretax income from continuing operations $325 $295 $324 $300 $ 90 Total Fixed Charges (from above) 136 122 99 87 20 Less: Interest capitalized 1 3 1 1 0 -~~

~~Total Earnings for Purpose of Ratio $460 $414 $422 $386 $110~~

~~======== ======== ======== ======== ========~~

~~Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends 3.15 3.07 3.84 4.02 4.58~~

~~======== ======== ======== ======== ========~~

~~(1) In computing this ratio, "Preferred dividends" represents the before-tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.~~

San Diego Gas & Electric Company is today filing with the Commission its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003.

To accompany the report we are enclosing the statements of San Diego Gas & Electric Company's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

Statement of Chief Executive Officer

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of San Diego Gas & Electric (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarterly period ended March 31, 2003 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 5, 2003

/s/ Edwin A. Guiles

Edwin A. Guiles
Chief Executive Officer

Statement of Chief Financial Officer

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of San Diego Gas & Electric (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarterly period ended March 31, 2003 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 5, 2003

/s/ Debra L. Reed

Debra L. Reed
Chief Financial Officer