

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

September 30, 1996

For the quarterly period ended.....

Or

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

For the transition period from _____ to _____

Commission File Number	Name of Registrant as specified in its charter	State of Incorporation	IRS Employer Identification Number
1-11439	ENOVA CORPORATION	California	33-0643023
1-3779	SAN DIEGO GAS & ELECTRIC COMPANY	California	95-1184800

101 ASH STREET, SAN DIEGO, CALIFORNIA 92101

 (Address of principal executive offices) (Zip Code)

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

 No Change

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

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

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

Common Stock outstanding September 30, 1996:

Enova Corporation 116,565,775

 San Diego Gas & Electric Company Wholly owned by Enova Corporation

ENOVA CORPORATION
AND
SAN DIEGO GAS & ELECTRIC COMPANY

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STATEMENTS OF INCOME (unaudited)
In thousands except per share amounts

For the three months ended September 30	Enova Corporation and Subsidiaries		SDG&E	
	1996	1995	1996	1995
Operating Revenues				
Electric	\$419,809	\$396,526	\$419,809	\$396,526
Gas	73,676	68,574	73,676	68,574
Diversified operations	14,108	13,589	--	--
Total operating revenues	507,593	478,689	493,485	465,100
Operating Expenses				
Electric fuel	42,794	31,151	42,794	31,151
Purchased power	85,777	91,501	85,777	91,501
Gas purchased for resale	24,137	19,468	24,283	19,468
Maintenance	16,201	18,486	16,201	18,486
Depreciation and decommissioning	84,607	68,645	79,522	65,485
Property and other taxes	10,719	11,514	10,719	11,514
General and administrative	59,024	54,934	54,270	54,611
Other	50,786	51,528	38,937	40,715
Income taxes	46,262	41,160	59,154	50,956
Total operating expenses	420,307	388,387	411,657	383,887
Operating Income	87,286	90,302	81,828	81,213
Other Income and (Deductions)				
Allowance for equity funds used during construction	1,443	1,434	1,443	1,434
Taxes on nonoperating income	(2,086)	(2,127)	(2,514)	(1,727)
Other - net	5,016	(409)	5,443	3,428
Total other income and (deductions)	4,373	(1,102)	4,372	3,135
Income Before Interest Charges	91,659	89,200	86,200	84,348
Interest Charges				
Long-term debt	22,423	22,476	19,228	20,470
Short-term debt and other	5,527	5,534	5,527	6,142
Allowance for borrowed funds used during construction	(682)	(630)	(682)	(630)
Preferred dividend requirements of SDG&E	1,646	1,916	--	--
Net interest charges	28,914	29,296	24,073	25,982
Income From Continuing Operations Discontinued Operations, Net Of Income Taxes	62,745	59,904	62,127	58,366
Net Income	62,745	59,904	62,127	61,820
Preferred Dividend Requirements	--	--	1,646	1,916
Earnings Applicable to Common Shares	\$62,745	\$59,904	\$60,481	\$59,904
Average Common Shares Outstanding	116,566	116,538		
Earnings Per Common Share from Continuing Operations	\$0.54	\$0.51		
Earnings Per Common Share	\$0.54	\$0.51		
Dividends Declared Per Common Share	\$0.39	\$0.39		

See notes to consolidated financial statements.

STATEMENTS OF INCOME (unaudited)
In thousands except per share amounts

For the nine months ended September 30	Enova Corporation and Subsidiaries		SDG&E	
	1996	1995	1996	1995
Operating Revenues				
Electric	\$1,164,073	\$1,130,530	\$1,164,073	\$1,130,530
Gas	239,575	229,897	239,575	229,897
Diversified operations	40,809	41,456	--	--
Total operating revenues	1,444,457	1,401,883	1,403,648	1,360,427
Operating Expenses				
Electric fuel	92,198	75,480	92,198	75,480
Purchased power	233,925	262,702	233,925	262,702
Gas purchased for resale	93,324	82,610	93,169	82,610
Maintenance	47,854	55,194	47,854	55,194
Depreciation and decommissioning	248,536	208,354	234,326	194,857
Property and other taxes	33,930	34,193	33,930	34,193
General and administrative	156,956	140,521	148,630	138,988
Other	154,187	156,011	119,370	123,353
Income taxes	128,744	123,373	164,406	150,816
Total operating expenses	1,189,654	1,138,438	1,167,808	1,118,193
Operating Income	254,803	263,445	235,840	242,234
Other Income and (Deductions)				
Allowance for equity funds used during construction	4,159	4,447	4,159	4,447
Taxes on nonoperating income	(1,001)	(950)	(2,229)	(1,750)
Other - net	2,394	(3,354)	2,954	2,093
Total other income and (deductions)	5,552	143	4,884	4,790
Income Before Interest Charges	260,355	263,588	240,724	247,024
Interest Charges				
Long-term debt	66,856	72,122	57,438	62,592
Short-term debt and other	14,891	14,425	14,891	15,783
Allowance for borrowed funds used during construction	(2,476)	(2,013)	(2,476)	(2,013)
Preferred dividend requirements of SDG&E	4,937	5,747	--	--
Net interest charges	84,208	90,281	69,853	76,362
Income From Continuing Operations	176,147	173,307	170,871	170,662
Discontinued Operations, Net Of Income Taxes	--	(6,168)	--	2,224
Net Income	176,147	167,139	170,871	172,886
Preferred Dividend Requirements	--	--	4,937	5,747
Earnings Applicable to Common Shares	\$176,147	\$167,139	\$165,934	\$167,139
Average Common Shares Outstanding	116,567	116,535		
Earnings Per Common Share from Continuing Operations	\$1.51	\$1.48		
Earnings Per Common Share	\$1.51	\$1.43		
Dividends Declared Per Common Share	\$1.17	\$1.17		

See notes to consolidated financial statements.

BALANCE SHEETS
In thousands of dollars

Balance at	Enova Corporation and Subsidiaries		SDG&E	
	September 30, 1996 (unaudited)	December 31, 1995	September 30, 1996 (unaudited)	December 31, 1995
ASSETS				
Utility plant - at original cost	\$5,646,801	\$5,533,554	\$5,646,801	\$5,533,554
Accumulated depreciation and decommissioning	(2,546,613)	(2,355,213)	(2,546,613)	(2,355,213)
Utility plant-net	3,100,188	3,178,341	3,100,188	3,178,341
Investments and other property	577,286	532,289	305,418	448,860
Current assets				
Cash and temporary investments	192,481	96,429	117,875	20,755
Accounts receivable	204,572	178,155	194,558	178,091
Due from affiliates	--	--	12,380	--
Notes receivable	35,090	34,498	--	--
Inventories	63,914	67,959	63,035	67,959
Other	31,109	41,012	21,497	29,419
Total current assets	527,166	418,053	409,345	296,224
Deferred taxes recoverable in rates	276,035	298,748	276,035	298,748
Deferred charges and other assets	279,386	321,193	222,747	250,440
Total	\$4,760,061	\$4,748,624	\$4,313,733	\$4,472,613
CAPITALIZATION AND LIABILITIES				
Capitalization				
Common equity	\$1,559,227	\$1,520,070	\$1,399,373	\$1,520,070
Preferred stock of SDG&E				
Not subject to mandatory redemption	78,475	93,475	78,475	93,475
Subject to mandatory redemption	25,000	25,000	25,000	25,000
Long-term debt	1,443,344	1,350,094	1,289,507	1,217,026
Total capitalization	3,106,046	2,988,639	2,792,355	2,855,571
Current liabilities				
Long-term debt redeemable within one year	--	115,000	--	115,000
Current portion of long-term debt	69,921	36,316	33,615	8,835
Accounts payable	120,723	145,517	120,044	145,273
Dividends payable	47,106	47,383	47,106	47,383
Interest and taxes accrued	27,054	22,537	30,819	23,621
Regulatory balancing accounts overcollected-net	200,822	170,761	200,822	170,761
Other	150,335	125,438	91,152	90,119
Total current liabilities	615,961	662,952	523,558	600,992
Customer advances for construction	34,677	34,698	34,677	34,698
Accumulated deferred income taxes-net	542,835	523,335	546,040	536,324
Accumulated deferred investment tax credits	100,156	104,226	100,156	104,226
Deferred credits and other liabilities	360,386	434,774	316,947	340,802
Contingencies (Note 2)	--	--	--	--
Total	\$4,760,061	\$4,748,624	\$4,313,733	\$4,472,613

See notes to consolidated financial statements.

STATEMENTS OF CASH FLOWS (unaudited)
In thousands of dollars

	Enova Corporation and Subsidiaries		SDG&E	
	1996	1995	1996	1995
For the nine months ended September 30				
Cash Flows from Operating Activities				
Income from continuing operations	\$ 176,147	\$ 173,307	\$ 170,871	\$ 170,662
Adjustments to reconcile income from continuing operations to net cash provided by operating activities				
Depreciation and decommissioning	248,536	208,354	234,326	194,857
Amortization of deferred charges and other assets	4,267	10,350	3,536	10,350
Amortization of deferred credits and other liabilities	(28,608)	(24,561)	(2,883)	(877)
Allowance for equity funds used during construction	(4,159)	(4,447)	(4,159)	(4,447)
Deferred income taxes and investment tax credits	(29,308)	(6,598)	(28,603)	(6,802)
Other-net	23,199	14,653	5,080	(2,835)
Changes in working capital components				
Accounts and notes receivable	(27,009)	(3,942)	(16,467)	1,323
Regulatory balancing accounts	30,061	76,548	30,061	76,548
Inventories	4,045	2,606	4,924	2,606
Other current assets	(8,986)	830	(10,424)	944
Interest and taxes accrued	62,054	44,081	64,440	44,299
Accounts payable and other current liabilities	(13,960)	(23,374)	(24,196)	(35,202)
Cash flows provided (used) by discontinued operations	--	(168)	(11,544)	21,960
Net cash provided by operating activities	436,279	467,639	414,962	473,386
Cash Flows from Financing Activities				
Dividends paid	(136,388)	(135,180)	(141,594)	(140,927)
Short-term borrowings-net	--	(89,325)	--	(58,325)
Issuance of long-term debt	169,452	124,641	167,152	123,734
Repayment of long-term debt	(199,816)	(102,074)	(174,743)	(76,117)
Redemption of common stock	(480)	(29)	--	(29)
Redemption of preferred stock	(15,155)	(18)	(15,155)	(18)
Net cash used by financing activities	(182,387)	(201,985)	(164,340)	(151,682)
Cash Flows from Investing Activities				
Utility construction expenditures	(144,192)	(146,569)	(144,192)	(146,569)
Contributions to decommissioning funds	(16,527)	(16,527)	(16,527)	(16,527)
Other-net	2,879	7,008	16,932	(1,116)
Discontinued operations	--	5,122	(9,715)	(44,486)
Net cash used by investing activities	(157,840)	(150,966)	(153,502)	(208,698)
Net increase	96,052	114,688	97,120	113,006
Cash and temporary investments, beginning of period	96,429	25,405	20,755	11,605
Cash and temporary investments, end of period	\$ 192,481	\$ 140,093	\$ 117,875	\$ 124,611
Supplemental Disclosure of Cash Flow Information				
Income tax payments	\$ 112,528	\$ 97,960	\$ 146,934	\$ 97,960
Interest payments, net of amounts capitalized	\$ 74,754	\$ 82,136	\$ 64,570	\$ 73,746
Supplemental Schedule of Noncash Investing and Financing Activities				
Real estate investments	\$ 52,367	\$ 32,553	\$ --	\$ --
Cash paid	--	(250)	--	--
Liabilities assumed	\$ 52,367	\$ 32,303	\$ --	\$ --
Net assets of affiliates transferred to parent	\$ --	\$ --	\$ 150,069	\$ --

See notes to consolidated financial statements.

1. GENERAL

In January 1996 Enova Corporation became the parent company of SDG&E and its subsidiaries. At that time SDG&E's ownership interests in its subsidiaries were transferred to Enova Corporation at book value. Additional information concerning the effects of the parent company structure is provided in Note 3 herein.

On October 14, 1996 Enova Corporation and Pacific Enterprises (parent company of Southern California Gas Company) announced that they have agreed to combine the two companies. As a result of the combination, which was unanimously approved by the Boards of Directors of both companies, (i) each outstanding share of common stock of Enova Corporation will be converted into one share of common stock of the new company, (ii) each outstanding share of common stock of Pacific Enterprises will be converted into 1.5038 shares of the new company's common stock and (iii) the preferred stock and preference stock of Pacific Enterprises, SDG&E and Southern California Gas Company will remain outstanding.

Consummation of the combination is conditional upon, among other things, the approvals of each company's shareholders, the California Public Utilities Commission and various other regulatory bodies. Completion of the combination is expected by the end of 1997. In the interim, Enova Corporation and Pacific Enterprises are separately proceeding with plans to form a joint venture to provide integrated energy and energy-related products and services.

This Quarterly Report on Form 10-Q is a combined filing of Enova Corporation and SDG&E. The financial statements presented herein represent the consolidated statements of Enova Corporation and its subsidiaries (including SDG&E), as well as the stand-alone statements of SDG&E. Unless otherwise indicated, the "Notes to Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein pertain to Enova Corporation as a consolidated entity.

The Registrants believe all adjustments necessary to present a fair statement of the financial position and results of operations for the periods covered by this report, consisting of recurring accruals, have been made. Certain prior-year amounts have been reclassified for comparability. The Registrants' significant accounting policies are described in the notes to consolidated financial statements in the 1995 Annual Report to Shareholders. The same accounting policies are followed for interim reporting purposes.

This quarterly report should be read in conjunction with the Registrants' 1995 Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q for the three months ended March 31, 1996 and the six months ended June 30, 1996. The consolidated financial statements and Management's Discussion & Analysis of Financial Condition and Results of Operations included in the 1995 Annual Report to Shareholders were

incorporated by reference into the 1995 Annual Report on Form 10-K and filed as an exhibit thereto.

2. MATERIAL CONTINGENCIES

ELECTRIC INDUSTRY RESTRUCTURING -- CALIFORNIA

In December 1995, the CPUC issued its policy decision on the restructuring of California's electric utility industry to stimulate competition and reduce rates. On September 23, 1996 California Governor Wilson signed into law a bill restructuring the industry (AB 1890). The legislation was unanimously passed by the California Legislature in August 1996 and supersedes the CPUC policy decision when in conflict.

The CPUC's decision provides that, beginning in January 1998, customers will be able to buy their electricity through a power exchange that will obtain power from the lowest-bidding suppliers. The power exchange will serve as a wholesale power pool allowing all energy producers to participate competitively. An independent system operator (ISO) will schedule power transactions and access to the transmission system. Consumers may also choose to continue to purchase from their local utility under regulated tariffs or to enter into private contracts with generators, brokers or others (direct access). The local utility will continue to provide distribution services no matter which method the consumer chooses (power exchange, direct access or local utility). In addition, within certain limits, utilities will be allowed to recover their "stranded" costs incurred for certain above-market CPUC-approved facilities, contracts and obligations through the establishment of a nonbypassable competition transition charge (CTC). Performance-based regulation will replace cost-of-service regulation.

The California legislation adopts the CPUC's market structure and allows for recovery of stranded investment. However, the bill contains a few key differences. Recovery of stranded costs will be accelerated to December 31, 2001 (instead of 2005), with certain exceptions. At the start of the new competitive market (scheduled for January 1, 1998), SDG&E will receive approximately \$500 million from the proceeds of rate-reduction bonds issued by an agency of the State of California. These bonds will be repaid over approximately ten years by SDG&E's residential and small commercial customers via a separate charge on their electric bills and will be non-recourse to SDG&E. Receipt of the \$500 million will enable SDG&E to effect a decrease in rate base, which will result in a ten percent reduction of residential and small commercial customers' rates beginning in January 1998. These rates, including the bond-repayment charge, will remain at that level until approximately March 31, 2002. Until the earlier of that date or transition cost recovery is complete, SDG&E's system average rate will be frozen at June 10, 1996 levels, except for the impact of fuel cost changes. If fuel costs change significantly, SDG&E may seek CPUC authority to increase or decrease rates to compensate therefor, but rates cannot be increased so as to raise SDG&E's system average rate above 9.985 cents per kwh. For purposes of transition cost recovery, overcollections recorded in the Energy Cost Adjustment Clause and Electric Revenue Adjustment Mechanism

balancing accounts as of December 31, 1996 will be credited to the recovery of transition costs on January 1, 1997. With certain exceptions, stranded costs not recovered by December 31, 2001 will not be collected from customers. Such costs, if any, would be written off as a charge against earnings. AB 1890 clarifies that all existing and future consumers must pay CTC except for a segment of self-generators and irrigation districts. SDG&E has very few, if any, of these types of customers and does not anticipate a material impact from the exemption.

The CPUC is currently attempting to meld its restructuring plan with that of the California legislature. California's three major investor-owned utilities filed cost-recovery plans with the CPUC in October 1996 in response to AB 1890. Related to this cost-recovery filing are SDG&E's October 1996 transition cost application and a rate and product unbundling application to be filed in November 1996. The scope of the transition costs related to the CTC includes generation-related assets and obligations that were being collected in rates on December 20, 1995 and that may become uneconomic as a result of a competitive generation market. In its transition cost application SDG&E identifies the following transition costs totaling \$2 billion:

Nuclear generation (SONGS)		\$805 million
Non-nuclear generation		490
Qualifying facilities purchases	383	
Other power purchases		315
Other regulatory commitments		25

These identified transition costs are subject to a CPUC audit, which is expected to commence in early November 1996. The amounts include sunk costs, as well as on-going costs the CPUC finds reasonable and necessary to maintain generation facilities through December 31, 2001. Qualifying facilities purchases include approximately 100 existing contracts, some of which extend to the year 2025, to the extent the costs are above market price. Other power purchases consist of two long-term contracts to the extent they exceed market. Both the CPUC policy decision and AB 1890 provide that above-market costs for existing power purchase and QF contracts may be recovered over the term of the contracts or sooner. Regulatory commitments are the generation-related portion of sunk costs arising from regulatory assets or liabilities related to various deferred costs, timing differences, outstanding balancing account balances and other items SDG&E has accrued under cost-of-service regulation. Nuclear decommissioning costs are nonbypassable until fully recovered, but are not included as part of CTC. However, recovery of these costs may be accelerated to the extent possible.

In April 1996, based on Pacific Gas & Electric's motion for interim CTC recovery and concerns over lost revenues from large customers' choosing other suppliers before plans for deregulation are finalized, SDG&E filed a motion requesting that it also be afforded interim CTC treatment. The CPUC has not acted on that motion as yet, but, based on the clarification contained in AB 1890, SDG&E is evaluating the need to pursue the issue.

The rate and product unbundling application which SDG&E expects to file in November 1996 will be the primary proceeding for establishing the specific rates and charges to be in place on January 1, 1998. SDG&E will identify and separate individual rate components such as charges for energy, transmission, distribution, public-benefit programs, nuclear decommissioning, recovery of uneconomic costs and the rate-reduction bonds repayment.

In the new competitive environment performance-based regulation will replace cost-of-service regulation for generation in order to encourage efficient utility operation and lead to a truly competitive environment over the passage of time. Rates for distribution services will remain cost-of-service based, utilizing PBR to encourage efficient operation, replacing the former General Rate Case-based cost-of-service regulation. On an experimental basis SDG&E is participating in a PBR process for gas procurement, electric generation and dispatch, and base rates, beginning in 1993 and running through 1997. SDG&E has filed plans with the CPUC to extend these PBR mechanisms and a proposal for a new generation PBR. The new generation PBR would allow SDG&E to recover its costs of production and the cost of having its generating units available, as well as mitigate any market-power issues.

As restructuring evolves, SDG&E will become more vulnerable to competition. However, based on recent CPUC decisions and new legislation, recovery of stranded costs is provided for. Based on this, SDG&E does not anticipate incurring a material charge against earnings for its generating facilities, the related regulatory assets and other long-term commitments.

SDG&E accounts for the economic effects of regulation in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," under which a regulated entity may record a regulatory asset if it is probable that, through the rate-making process, the utility will recover that asset from customers. Regulatory liabilities represent future reductions in revenues for amounts due to customers.

Once the restructuring transition is final, SDG&E may not continue to meet the criteria for applying SFAS 71 to all of its operations in the new regulatory framework. In a non-SFAS 71 environment, among other things, additions to plant would need to be recovered through market prices.

ELECTRIC INDUSTRY RESTRUCTURING -- FEDERAL

In April 1996 the FERC issued a final rule that will require all utilities to offer wholesale "open-access" transmission service on a nondiscriminatory basis and to share information about available transmission capacity. In addition, utilities will be required to functionally price their generation and transmission services separately from each other. The FERC also stated its belief that utilities should be allowed to recover the costs of assets and obligations made uneconomic by the changed regulatory environment. In July 1996 SDG&E

filed open-access transmission tariffs that comply with the FERC's April 1996 rule described above. These tariffs immediately became effective.

In April 1996 California's three major investor-owned utilities filed plans to establish the power exchange and ISO with the FERC, which has jurisdiction over the exchange, the ISO and interstate transmission. The FERC is currently holding technical conferences and reviewing the issues.

Several bills on electric industry restructuring have been filed recently at the Federal level. One bill would make states establish rules to let all residences, businesses and industries choose their own power suppliers by December 15, 2000, or force states to give way to the FERC to open the local market to competition after 2000. Another bill calls for full customer choice by January 1, 1998. This measure provides that if retail choice is not a reality by that date, the FERC will set rates until competition takes effect.

NUCLEAR INSURANCE

SDG&E and the co-owners of San Onofre Nuclear Generating Station have purchased primary insurance of \$200 million, the maximum amount available, for public liability claims. An additional \$8.7 billion of coverage is provided by secondary financial protection required by the Nuclear Regulatory Commission and provides for loss sharing among the utilities owning nuclear reactors if a costly accident occurs. SDG&E could be assessed retrospective premium adjustments of up to \$32 million in the event of a nuclear incident involving any of the licensed, commercial reactors in the United States, if the amount of the loss exceeds \$200 million. In the event the public liability limit stated above is insufficient, federal law provides for Congress to enact further revenue-raising measures to pay claims. These measures could include an additional assessment on all licensed reactor operators.

Insurance coverage is provided for up to \$2.8 billion of property damage and decontamination liability. Coverage is also provided for the cost of replacement power, which includes payments for up to 3 years, after a waiting period of 21 weeks. Coverage is provided through mutual insurance companies owned by utilities with nuclear facilities. If losses at any of the nuclear facilities covered by the risk-sharing arrangements were to exceed the accumulated funds available from these insurance programs, SDG&E could be assessed retrospective premium adjustments of up to \$5.3 million.

CANADIAN GAS

SDG&E has long-term pipeline capacity commitments related to its contracts for Canadian natural gas supplies. These contracts are currently in litigation, as described in Part II, Item 1, "Legal Proceedings," herein. If the supply of Canadian natural gas to SDG&E is not resumed to a level approximating the related committed long-term pipeline capacity, SDG&E intends to use the excess capacity in other ways.

3. DISCONTINUED OPERATIONS

As discussed in Note 1 herein, in January 1996 Enova Corporation became the parent of SDG&E and its unregulated subsidiaries. At that time SDG&E's ownership interests in its subsidiaries were transferred to Enova Corporation at book value. SDG&E's financial statements for periods prior to 1996 have been restated to reflect the results of that transfer and the June 1995 sale of Wahlco Environmental Systems, Inc. as discontinued operations in accordance with Accounting Principles Board Opinion No. 30 "Reporting the Effects of a Disposal of a Segment of Business." SDG&E's discontinued operations are summarized in the table below.

	Nine Months Ended September 30, 1995	1995	Year Ended December 31 1994	1993

In millions of dollars				
Revenues	\$65	\$81	\$126	\$119
Loss from operations before income taxes	(20)	(24)	(105)	(19)
Loss on disposal of Wahlco before income taxes	(10)	(12)	-	-
Income tax benefits	32	50	43	22

The net assets of the subsidiaries (included in "Investments and Other Property" on SDG&E's Balance Sheets) at December 31, 1995 are summarized as follows:

In millions of dollars	
Current assets	\$ 122
Non-current assets	286
Current liabilities	(62)
Long-term debt and other liabilities	(214)

Net assets	\$ 132

ITEM 2.

ENOVA CORPORATION/SAN DIEGO GAS & ELECTRIC COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW:

In January 1996 Enova Corporation became the parent of SDG&E, and SDG&E's ownership interests in its subsidiaries were transferred to the parent company. Effective January 1, 1996 SDG&E's financial statements for periods prior to 1996 have been restated to reflect the net results of subsidiaries as discontinued operations.

On October 14, 1996 Enova Corporation and Pacific Enterprises announced that they have entered into an agreement, unanimously approved by the Boards of Directors of both companies, to combine the two companies. Consummation of the combination is conditional upon, among other things, the approvals of each company's shareholders, the California Public Utilities Commission and various other regulatory bodies. Completion of the combination is expected by the end of 1997.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the definition of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in "Management's Discussion and Analysis of Financial Condition and Results of Operations," the words "estimates", "expects", "anticipates", "plans" and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties.

Although the Registrants believe that their expectations are based on reasonable assumptions, they can give no assurance that those expectations will be realized. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include political developments affecting state and federal regulatory agencies, the pace of electric industry deregulation in California and in the United States, the existence of or ability to create a market for rate-reduction bonds, the ability to effect a coordinated and orderly implementation of both state legislation and the CPUC's restructuring regulations, the consummation and timing of the combination of Enova Corporation and Pacific Enterprises, international political developments, and the timing and extent of changes in interest rates and prices for natural gas and electricity.

RESULTS OF OPERATIONS:

The following discussions reflect the results for the nine months and three months ended September 30, 1996 compared to the corresponding periods in 1995:

EARNINGS

Earnings per common share from continuing operations for the three months ended September 30, 1996 were \$0.54, up \$0.03 per share from the

same period in 1995. Earnings per share from continuing operations for the nine months ended September 30, 1996 were \$1.51, up from \$1.48 per share for the same period in 1995. The change in the three-month earnings results primarily from the CPUC's approval of SDG&E's 1995 base rates performance-based ratemaking reward and lower operating and maintenance expenses. The increase in earnings for the nine months is due to various offsetting factors, including changes in incentive rewards for PBR and demand-side management programs, a higher authorized rate base and Enova Financial's additional investments in affordable-housing limited partnerships.

OPERATING REVENUES

Electric revenues increased for the nine months and three months ended September 30, 1996 from the corresponding periods in 1995 primarily due to the accelerated recovery of SONGS Units 2 and 3 as further discussed in "Operating Activities" below.

OPERATING EXPENSES

For the nine months and three months ended September 30, 1996, electric fuel expense increased from the corresponding periods in 1995 primarily due to increased nuclear and natural-gas-fired generation, as well as increases in natural gas prices. During those same periods, purchased-power expense decreased due to the availability of lower-cost nuclear generation in 1996 and decreases in purchased-power capacity charges. Gas purchased for resale increased primarily due to increases in natural gas prices.

REGULATORY MATTERS:

CALIFORNIA PUBLIC UTILITIES COMMISSION'S INDUSTRY RESTRUCTURING

In December 1995 the CPUC issued its policy decision on the restructuring of California's electric utility industry to stimulate competition and reduce rates. In addition, in September 1996 California Governor Wilson signed into law a bill restructuring the industry. See additional discussion of industry restructuring in Note 2 of the notes to financial statements.

ELECTRIC RATES

In October 1996 SDG&E filed its 1997 Energy Cost Adjustment Clause application for the forecast period May 1997 through April 1998. Reflecting the mandated rate freeze contained in AB 1890, the forecast phase requested no rate changes and no revenue requirement impact. The reasonableness phase of the filing requests that the CPUC review for reasonableness the second- and third-year PBR generation and dispatch rewards of \$0.8 million and \$9.8 million, respectively, and a SONGS target capacity factor reward of \$3.5 million. A CPUC decision is expected in mid 1997 on the forecast phase and in late 1997 on the reasonableness phase.

PERFORMANCE-BASED RATEMAKING

SDG&E's advice letter, filed with the CPUC for a \$5.5 million Base Rates PBR reward for 1995, was approved by resolution in September 1996.

In July 1996 SDG&E filed with the CPUC an application requesting a generation and dispatch PBR reward of \$9.8 million. SDG&E has requested that the CPUC review the reward for reasonableness, as discussed in "Electric Rates" above. The filing was for the nine-month period August 1995 through April 1996 in order to align the PBR year with the ECAC year.

GAS RATES

In September 1996 SDG&E filed a gas-refund plan with the CPUC. If approved, the \$12 million refund would occur in December 1996 as a one-time credit of \$6.70 on a typical residential customer's bill. The refund is primarily due to the overcollected balance in the Core Purchased Gas Account as of June 1996 and a refund received from El Paso Natural Gas Company. A CPUC decision is expected in November 1996.

COST OF CAPITAL

SDG&E and the CPUC's Office of Ratepayer Advocates (ORA) have reached an agreement on SDG&E's 1997 Cost of Capital application, recommending no change to SDG&E's present authorized return on common equity of 11.60 percent and a decrease in SDG&E's overall rate of return from 9.37 percent to 9.35 percent. The small decrease in rate of return is due to a lower expected cost of long-term debt. A final CPUC decision is expected in late 1996. The 11.60 percent return establishes SDG&E's benchmark to be used in its new cost of capital mechanism effective January 1, 1998 (referred to as the Market Indexed Capital Adjustment Mechanism). As a result, SDG&E will discontinue participation in the annual cost of capital proceeding. The new mechanism automatically resets SDG&E's return based on the prior year's interest rates.

DEMAND-SIDE MANAGEMENT

An agreement has been reached with the ORA on all earnings issues for 1994 and 1995 demand-side management programs. SDG&E has agreed to reduce 1994 DSM rewards from \$9 million to \$6 million, deferring \$2 million of the \$3 million reduction to the 1997 proceeding when updated information will be available. In addition, SDG&E has agreed to reduce 1995 DSM rewards from \$39 million to \$36 million based on current data. A final CPUC decision is expected by late 1996. The ORA had previously issued its report proposing to reduce the 1994 reward by \$3 million (without deferral) and to reduce the 1995 reward by \$26 million.

LIQUIDITY AND CAPITAL RESOURCES:

Utility operations continue to be a major source of liquidity. In addition, financing needs are met primarily through the issuance of short-term and long-term debt, and common and preferred stock. These capital resources are expected to remain available. SDG&E's cash requirements include plant construction and other capital expenditures. Nonutility cash requirements include capital expenditures related to new products; affordable-housing and other investments; and repayments and retirements of long-term debt. In addition to changes described elsewhere, major changes in cash flows are described below.

OPERATING ACTIVITIES

Depreciation and decommissioning expense increased during the nine months and three months ended September 30, 1996 compared to the corresponding 1995 periods due to the accelerated recovery of SONGS Units 2 and 3 approved by the CPUC in April 1996.

FINANCING ACTIVITIES

Enova Corporation and its subsidiaries anticipate that they will require only minimal amounts of short-term debt and do not expect to issue stock or long-term debt in 1996, other than for SDG&E refinancings. Enova Financial, Enova Corporation's affordable-housing subsidiary, repaid \$22 million of long-term debt in the ordinary course of business.

In May 1996 the CPUC approved SDG&E's request to issue up to \$300 million of long-term debt to refinance previously issued long-term debt. The decision also grants a two-year extension of a prior CPUC authorization to issue \$138 million of additional long-term debt and \$100 million of additional preferred stock.

In July 1996 SDG&E issued \$130 million of Pollution Control Bonds at an interest rate of 5.9 percent, due June 1, 2014. In August and September 1996 the funds obtained from this issue were used to retire the following Pollution Control Bonds: Series CC, DD and FF (all variable rate), Series 1979A (7.2 percent) and Series 1977A (6.375 percent).

In August 1996 SDG&E issued \$39 million of variable-rate Industrial Development Bonds, due July 1, 2021. In September 1996 the funds obtained from this issue were used to retire Series GG (7.625 percent).

At September 30, 1996 SDG&E had short-term bank lines of \$50 million and long-term bank lines of \$280 million. Commitment fees are paid on the unused portion of the lines. There are no requirements for compensating balances.

Quarterly cash dividends of \$0.39 per share were declared for each quarter of 1996 and for each quarter during the year ended December 31, 1995. The dividend payout ratio for the twelve months ended September 30, 1996 and years ended December 31, 1995, 1994, 1993, 1992 and 1991

were 78 percent, 80 percent, 130 percent, 82 percent, 81 percent and 79 percent, respectively. The high payout ratio for the year ended December 31, 1994 was due to the writedowns recorded during 1994. For additional information regarding the writedowns, refer to the 1995 Annual Report on Form 10-K. The payment of future dividends is at the discretion of Enova's directors and is dependent upon future business conditions, earnings and other factors. Enova's directors have set a goal to reach a dividend payout of 60 percent to 70 percent of earnings through earnings growth and new investment. Net cash flows provided by operating activities currently are sufficient to maintain the payment of dividends at the anticipated level.

SDG&E maintains its capital structure so as to obtain long-term financing at the lowest possible rates. The following table shows the percentages of capital represented by the various components. The capital structures are net of the construction funds held by a trustee in 1992 and 1993.

	1991	1992	1993	1994	September 30,	
					1995	1996
Common equity	47%	47%	47%	48%	49%	49%
Preferred stock	5	5	4	4	4	4
Debt and leases	48	48	49	48	47	47
Total	100%	100%	100%	100%	100%	100%

The following table lists key financial ratios for SDG&E.

	Twelve months ended September 30, 1996	Year ended December 31, 1995
Pretax interest coverage	4.8 X	4.5 X
Internal cash generation	124 %	115 %
Construction expenditures as a percent of capitalization	7.5 %	7.7 %

DERIVATIVES: Registrants' policy is to use derivative financial instruments to reduce exposure to fluctuations in interest rates, foreign currency exchange rates and natural gas prices. These financial instruments are with major investment firms and, along with cash equivalents and accounts receivable, expose Registrants to market and credit risks. These risks may at times be concentrated with certain counterparties, although counterparty non-performance is not anticipated. Registrants do not use derivatives for speculative purposes.

At September 30, 1996 SDG&E had one interest-rate swap agreement: a floating-to-fixed-rate swap maturing in 2002 associated with \$45 million of variable-rate bonds. SDG&E's pension fund periodically uses foreign currency forward contracts to reduce its exposure from exchange-rate

fluctuations associated with certain investments in foreign equity securities. At September 30, 1996 there were no forward contracts outstanding.

In October 1996 the Enova Corporation and SDG&E Boards of Directors approved the companies' use of energy derivatives in price-risk-management activities for both hedging and trading purposes within certain limitations imposed by company policies. Price-risk-management activities will commence, at the earliest, in late 1996, initially in the area of hedging price volatility of natural-gas purchases.

INVESTING ACTIVITIES

For the nine months ended September 30, 1996 cash used in SDG&E's investing activities included utility construction expenditures and payments to its nuclear decommissioning trust. Utility construction expenditures, excluding nuclear fuel and the allowance for equity funds used during construction, were \$221 million in 1995 and are estimated to be \$220 million in 1996. SDG&E continuously reviews its construction, investment and financing programs and revises them in response to changes in competition, customer growth, inflation, customer rates, the cost of capital, and environmental and regulatory requirements. Among other things, the level of SDG&E's expenditures in the next few years will depend heavily on the impact of industry restructuring and on the timing of expenditures to comply with air emission reduction and other environmental requirements. Payments to the nuclear decommissioning trust are expected to continue until SONGS is decommissioned, which is not expected to occur before 2013. Although Unit 1 was permanently shut down in 1992, it is expected to be decommissioned concurrently with Units 2 and 3.

Enova Corporation's level of non-utility expenditures in the next few years will depend primarily on the activities of its subsidiaries, some of which are discussed below, and the proposed combination of Enova Corporation and Pacific Enterprises and formation of the energy-marketing joint venture, which are discussed in Note 1 of the notes to financial statements.

The Mexican Energy Regulatory Commission has awarded Enova International and its partners, Pacific Enterprises International and Proxima S.A. de C.V., the first natural gas privatization license in Mexico, allowing the partnership to build and operate a natural gas distribution system in Mexicali, Baja, California. The partnership will be granted a 30-year license with exclusive rights to supply natural gas to the region for the first 12 years. The Mexican company formed by the three partners, Distribuidora de Gas Natural de Mexicali, will invest up to \$25 million during the first five years of the license period, providing service to major commercial and industrial users and more than 25,000 residents beginning in July 1997.

OTHER SIGNIFICANT BALANCE SHEET CHANGES

Besides the effects of items discussed in the preceding pages, there were significant changes to Enova Corporation's and SDG&E's balance sheets at September 30, 1996, compared to December 31, 1995. The increase in investments and other property for Enova Corporation was due to Enova Financial's affordable-housing investments. The decrease in investments and other property for SDG&E was due to SDG&E's transfer of its subsidiaries to Enova Corporation in January 1996. The increases in other current assets and accumulated deferred income taxes were due to differences in the timing of income tax payments. The decreases in deferred charges and other assets and in deferred credits and other liabilities were due primarily to a decrease in the projected pension benefit obligation as a result of a lower assumed actuarial discount rate.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no significant subsequent developments in the Public Service of New Mexico, North City West and, except for McLandrich discussed below, SONGS personal injury litigation proceedings. Background information concerning these and the following proceedings is contained in Enova Corporation's 1995 Annual Report on Form 10-K and in its March 31, 1996 and June 30, 1996 Quarterly Reports on Form 10-Q.

Canadian Natural Gas

On September 11, 1996 SDG&E filed in the Ninth Circuit Federal Court of Appeals an appeal of the May 1996 U.S. District Court judgment granting Canadian Hunter's and Summit's motion to dismiss the case.

SDG&E is unable to predict the ultimate outcome of these proceedings.

Electric and Magnetic Fields

On August 22, 1996 the California Supreme Court unanimously affirmed the California Court of Appeal decision to dismiss the Covalt case, ruling that the California Public Utilities Commission, not the courts, has exclusive jurisdiction over the power-line health and safety issues the plaintiffs raised in this matter.

SONGS Personal Injury Litigation

In September 1996 the United States Circuit Court of Appeals in the McLandrich case denied SDG&E's petition for review of the Federal District Court's pretrial ruling that plaintiffs' suit against SDG&E is not barred by the workers' compensation exclusivity rule. SDG&E may not further appeal this ruling until after a final disposition of the case in the trial court. At issue is whether SDG&E was an employer of the former SONGS worker. If so, workers' compensation would be the exclusive remedy for McLandrich's alleged work-related injuries and the lawsuit against SDG&E would have to be dismissed. Southern California Edison, the majority owner and operator of SONGS, was dismissed from the case pursuant to the workers' compensation exclusivity rule. Edison's dismissal is being appealed. The case will be returned to the Federal District Court pending disposition of the appeal of Edison's dismissal in late 1997 or early 1998.

SDG&E is unable to predict the ultimate outcome of this proceeding.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 10 - Material Contracts (Compensation)

- 10.1 Employment agreement between Enova Corporation and Stephen L. Baum, dated September 18, 1996.
- 10.2 Employment agreement between San Diego Gas & Electric Company and Donald E. Felsing, dated September 18, 1996.
- 10.3 Amended 1986 Long-Term Incentive Plan, amended and restated effective April 25, 1995 and as amended through July 22, 1996.
- 10.4 Supplemental Executive Retirement Plan restated as of August 26, 1996.

Exhibit 12 - Computation of ratios

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

Exhibit 27 - Financial Data Schedules

- 27.1 Financial Data Schedule for the nine months ended September 30, 1996 for Enova Corporation.
- 27.2 Financial Data Schedule for the nine months ended September 30, 1996 for SDG&E.

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed on September 24, 1996 announcing a bill on restructuring the electric utility industry signed into law by California Governor Wilson.

A Current Report on Form 8-K was filed on October 15, 1996 announcing an agreement entered into by Enova Corporation and Pacific Enterprises to combine the two companies.

SIGNATURE

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

ENOVA CORPORATION

SAN DIEGO GAS & ELECTRIC COMPANY
(Registrants)

Date: November 5, 1996

By: F.H. Ault

Vice President and Controller

(Signature)

F. H. AULT

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

	1991	1992	1993	1994	1995	9 Months Ended 9/30/96
Fixed Charges:						
Interest:						
Long-Term Debt	\$ 95,124	\$ 97,067	\$ 84,830	\$ 81,749	\$ 82,591	\$ 57,438
Short-Term Debt	7,010	5,043	6,676	8,894	17,886	11,252
Amortization of Debt Discount and Expense, Less Premium	2,471	2,881	4,162	4,604	4,870	3,639
Interest Portion of Annual Rentals	18,067	14,558	9,881	9,496	9,631	6,387
Total Fixed Charges	122,672	119,549	105,549	104,743	114,978	78,716
Preferred Dividends Requirements	10,535	9,600	8,565	7,663	7,663	4,937
Ratio of Income Before Tax to Net Income	1.64160	1.71389	1.79353	1.83501	1.78991	1.97521
Preferred Dividends for Purpose of Ratio	17,294	16,453	15,362	14,062	13,716	9,752
Total Fixed Charges and Preferred Dividends for Purpose of Ratio	\$139,966	\$136,002	\$120,911	\$118,805	\$128,694	\$ 88,468
Earnings:						
Net Income (before preferred dividend requirements)	\$202,544	\$224,177	\$215,872	\$206,296	\$219,049	\$170,871
Add:						
Fixed Charges (from above)	122,672	119,549	105,549	104,743	114,978	78,716
Less: Fixed Charges Capitalized	2,322	1,262	1,483	1,424	2,040	1,037
Taxes on Income	129,953	160,038	171,300	172,259	173,029	166,635
Total Earnings for Purpose of Ratio	\$452,847	\$502,502	\$491,238	\$481,874	\$505,016	\$415,185
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends	3.24	3.69	4.06	4.06	3.92	4.69

UT
1,000

YEAR	DEC-31-1996	SEP-30-1996	PER-BOOK
	3,100,188		
	577,286		
	527,166		
	132,890		
		422,531	
		4,760,061	
			291,414
	565,481		
	702,332		
1,559,227			
	25,000		
		78,475	
	1,206,441		
		0	
	153,837		
	0		
61,353			
	0		
	83,066		
		8,568	
1,584,094			
4,760,061			
	1,444,457		
		128,744	
	1,060,910		
	1,189,654		
	254,803		
		5,552	
260,355			
	84,208		
		176,147	
	0		
176,147			
	136,381		
	66,856		
	436,279		
		1.51	
		1.51	

PREFERRED DIVIDEND OF SUBSIDIARY INCLUDED IN INTEREST EXPENSE

UT
1,000

YEAR	DEC-31-1996	SEP-30-1996	PER-BOOK
	3,100,188		
	305,418		
	409,345		
	129,310		
		369,472	
		4,313,733	
			291,458
	566,233		
		541,682	
1,399,373			
	25,000		
		78,475	
	1,206,441		
		0	
	0		
	0		
25,047			
	0		
83,066			
		8,568	
1,487,763			
4,313,733			
	1,403,648		
		164,406	
	1,003,402		
	1,167,808		
		235,840	
		4,884	
240,724			
	69,853		
		170,871	
	4,937		
165,934			
	136,381		
	57,438		
	414,962		
		0	
		0	

ENOVA CORPORATION
EMPLOYMENT AGREEMENT

This Agreement is made as of the 18th day of September, 1996, between Enova Corporation, a California corporation (hereinafter the "Company"), and Stephen L. Baum, President and Chief Executive Officer of the Company (hereinafter "Officer").

The Company desires to retain the services of Officer and Officer is willing to enter into this Agreement for such periods and upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements hereinafter set forth, the parties agree as follows:

A. Position

1. The Company hereby employs Officer and Officer accepts employment with the Company during the Term of Employment as set forth in Section B of this Agreement to perform, at the direction of the Board of Directors, the duties of Chief Executive Officer of the Company including, but not limited to, directing the overall business, affairs and operations of the Company, through its officers, all of whom, except for the Chairman, shall report, directly or indirectly, to Officer, for the compensation and upon the terms and conditions hereinafter provided.

2. During the Term of Employment, Officer will:

(a) Serve the Company well and faithfully in conformity with the direction of the Board of Directors of the Company;

(b) Devote his entire time, effort and attention to the business of the Company and its subsidiaries. Officer shall not personally engage in any other business

activity for gain or profit. Officer may invest his assets in other companies so long as such investments do not require Officer's services or active management; and

(c) Do nothing inconsistent with his responsibilities, duties, and obligations to the Company, as defined by the Board of Directors.

B. Term of Employment

1. Subject to the applicable provisions of this Section B and Sections D and E hereof, Officer's Term of Employment, as this phrase is used throughout this Agreement, shall be for an initial period of two (2) years beginning September 18, 1996. The Term of Employment shall be automatically extended for a two (2) year period on September 18, 1998 and on each even numbered anniversary thereof, unless it shall be terminated as set forth herein.

2. Notwithstanding the foregoing, the Term of Employment shall terminate upon the occurrence of one or more of the following events:

(a) The passage of two (2) years from the giving of written notice of termination to Officer by the Board of Directors;

(b) The death of Officer;

(c) The "permanent disability" of Officer as defined in the Company's Salary Continuation Plan (long-term disability insurance plan);

(d) A termination pursuant to Section D or E; and

(e) The dissolution, liquidation or winding-up of the Company;

and

(f) The retirement of Officer.

C. Compensation and Benefits

1. Officer will be compensated for his services to the Company as follows:

(a) During the Term of Employment, Officer will receive a base salary for his services at the annual rate of not less than four hundred ninety-five thousand (\$495,000.00) dollars, or such greater amount as may from time to time be determined by the Board of Directors of the Company (the "Base Salary"), which amount will be paid in accordance with the Company's normal payroll practices;

(b) In addition to the Base Salary, Officer will be entitled to participate in the Company's Executive Incentive Plan, any other annual bonus plan, the Savings Plan (including the 401(k) option), the 1986 Long Term Incentive Plan and any other Company long-term incentive plan;

(c) Officer will be entitled to participate fully in the Company's Supplemental Executive Retirement Plan ("SERP") and the Pension Plan and any modification thereof or successor plan thereto at not less than his current entitlement, together with any improvements thereto; provided however, that Officer shall have the benefits provided in Section F in lieu of the benefits provided for in the SERP pursuant to the change in control provisions thereof.

(d) Officer will be entitled to participate in any deferred compensation plans which have been or will be offered to any other officers of the Company and in all other fringe benefits, including, but not limited to, life and health insurance, Company car

and executive perquisites in accordance with the Company's standard policy or as more favorably determined by the Board of Directors;

(e) Officer shall have the benefits described in Section F in lieu of any rights under the Company's Executive Severance Allowance Plan; and

(f) Officer will receive prompt reimbursement for all business-related expenses substantiated in accordance with Company policy, which shall for Officer be no less restrictive than existing at the date of this Agreement.

2. Wherever referred to in this Agreement, all benefit or compensation plans, programs or policies of the "Company" shall be construed so as to refer to the appropriate plan, program or policy that is sponsored, maintained or contributed to by either the Company or San Diego Gas & Electric Company, a California corporation and a subsidiary of Enova, as the case may be.

D. Right to Terminate by the Company

1. The Company, acting by a vote of its Board of Directors as provided in (c) below, will have the right to terminate the Term of Employment for cause as set forth in (a) and (b) below:

(a) The willful, substantial, continued, and unjustified refusal of Officer to perform the duties required of him by this Agreement to the extent of his ability to do so, provided Officer has not first given notice of termination for "good cause" as set forth in Section E, paragraph 2, below; or

(b) The willful engaging by Officer in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise. For purposes of this

paragraph, no act, or failure to act, on Officer's part shall be deemed "willful" unless done, or omitted to be done, by Officer not in good faith and without reasonable belief that Officer's action or omission was in the best interests of the Company.

(c) Notwithstanding the foregoing, Officer shall not be deemed to have been terminated for cause unless and until there shall have been delivered to Officer a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board of Directors at a meeting of the Board (after reasonable notice to Officer and an opportunity for Officer, together with Officer's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Officer was guilty of engaging in such conduct.

2. The Company, acting by majority vote of its Board of Directors, will have the right to terminate the Term of Employment without cause upon thirty (30) days' written notice to Officer.

3. Upon termination of Officer under Section D, paragraph 1 or upon notice of termination under Section D, paragraph 2, the Company may require Officer to vacate the Company premises immediately and surrender all access thereto, which requirements shall not prejudice any rights of Officer under this Agreement.

E. Right to Termination by Officer

1. Officer may terminate the Term of Employment without cause upon not less than thirty (30) days' written notice to the Company.

2. Officer may terminate the Term of Employment upon the occurrence without Officer's consent of one of the following events, which events constitute "good cause" for Officer to terminate his employment:

(a) The Company violates any provision of Section C of this Agreement;

(b) An adverse and significant change in position, duties, responsibilities, or status within the Company, including the failure to be nominated to the Board of Directors, the failure to be elected to the Board of Directors or the failure to be elected Chief Executive Officer; or

(c) A change in Officer's normal business location to a point away from the Company's main headquarters. Such voluntary termination for "good cause" shall be effective as of the last day of the month of Officer's giving of written notice to the Company.

F. Rights of Officer upon Termination of Term of Employment

1. Termination pursuant to Section B, paragraphs 2(a), (b), (c) or (f), or Section D, paragraphs 1(a) or (b) or Section E, paragraph 1, will result in benefits through the last day of the Term of Employment in accordance with the terms hereof and, thereafter, no benefits in addition to those to which Officer would be entitled pursuant to any then-existing Company benefit plan, incentive plan or agreement.

2. Termination pursuant to Section B, paragraph 2(e) or Section D, paragraph 2 or Section E, paragraph 2(a), (b) or (c), will result in the following benefits becoming payable to Officer:

(a) Two (2) years' Base Salary paid in a lump sum to be determined by annualizing the highest monthly Base Salary paid at any time during the Term of Employment;

(b) A bonus equivalent to two (2) times the average of the three years' highest gross bonus awards, not necessarily consecutive, paid by the Company to Officer in the previous five (5) years, payment to be made upon execution by Officer of a customary release of claims in favor of the Company;

(c) Immediate vesting and/or the immediate ability to exercise any rights and/or immediate removal of all restrictions on any 1986 Long Term Incentive Plan award or other long or short term incentive award already granted at the time of termination, and notwithstanding any conflicting provision in such plan, each option or award granted to Officer shall remain outstanding for three (3) years from the date of Officer's termination;

(d) Continuation of health and life insurance benefits and other existing benefit plans for a period of two (2) years; and

(e) Two (2) years of additional age and service credit for purposes of calculation of retirement benefits under the SERP; provided, however, that there shall be no reduction under the SERP for early retirement as set forth in Paragraph 4.a.ii, of the SERP, except for the early retirement reduction factor as determined in accordance with the table in Section 5.4 of the San Diego Gas & Electric Pension Plan, as adopted by the Company (the "Pension Plan"); and provided further, that Officer's termination shall be a "Qualifying Termination" as defined in the Split Dollar Life Insurance Agreement entered into between the Company and Officer. The Company shall also take such steps, including the payment

of additional premiums, as may be necessary so that cash value of the policy as of the date of termination shall reflect the additional two (2) years of age and service credit set forth above.

3. Termination following a Change of Control as defined in Section 2 of the Amended 1986 Long Term Incentive Plan ("Change of Control") and pursuant to Section B, paragraph 2(e) or Section D, paragraph 2 or Section E, paragraph 2(a), (b) or (c), will result in the following benefits to Officer:

- (a) Two (2) years Base Salary paid in a lump sum to be determined by annualizing the highest monthly Base salary paid at any time during the Term of Employment;
- (b) A bonus equivalent to two (2) times the average of the three years' highest gross bonus awards, not necessarily consecutive, paid by the Company to Officer in the previous five (5) years;
- (c) Immediate vesting and/or the immediate ability to exercise any rights and/or immediate removal of all restrictions on any 1986 Long Term Incentive Plan award or other long or short term incentive award already granted at the time of termination; and notwithstanding any conflicting provision in such plan, each option or award held by the Officer remaining outstanding until the expiration of its term;
- (d) Continuation health and life insurance benefits and other existing benefit plans until Officer reaches normal retirement age under the Pension Plan and thereafter to the same extent as an Officer retiring at normal retirement age under the Pension Plan;

(e) A lump sum payment of benefits under the SERP as described in paragraph 2.c of the SERP, less the value calculated consistently with paragraph 4.b. of the SERP of Officer's entitlement under the Pension Plan. Such benefit shall be calculated and paid without regard to the limitation described in the SERP relating to Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"). The Actuarial Present Value of the benefit shall be determined with the credit to Officer of two (2) years of additional age; and

(f) Termination pursuant to this Section F, paragraph 3 shall be a "Qualifying Termination" as defined in the Split Dollar Life Insurance Agreement entered into between the Company and Officer.

4. In the event that the payments provided for under Section F, paragraph 3 or any portion of the payments received in the event of a Change of Control will be subject to the excise tax imposed by Section 4999 of the Code, the Company shall pay Officer on or before the thirty (30) calendar days following the date of termination, an additional amount such that the net amount retained by the Officer will be the same as if no excise tax were imposed. In the event that any payment made pursuant to Section F, paragraph 2 of this Agreement becomes subject to the excise tax referred to above as a result of a subsequent Change of Control, Company shall pay Officer on or before thirty (30) calendar days prior to the date such excise tax would be payable, an additional amount such that the net amount retained by the Officer is the same as if no excise tax were imposed. The Employer's auditors will complete all calculations for purposes of determining the termination payments

subject to section 4999 of the Code and any additional amount required to be paid to the Officer because of Section 4999.

5. Any lump sum payment or other payment to be made hereunder will be paid to Officer on the date the Term of Employment ends. Payment will be by certified check to the order of Officer. Late payments will bear interest at the prime rate as published from time to time by Citibank, New York, compounded quarterly, and payable when the lump sum due is paid.

6. In the event of the retirement of Officer, this Agreement shall terminate on the date of Officer's retirement and Officer shall be entitled to any and all retirement benefits for which he is eligible.

G. Covenant Not to Compete

During the Term of Employment and for one (1) year thereafter, Officer shall not become an officer, employee, agent, partner, or director of any business enterprise in the western United States in substantial direct competition with the Company or with any subsidiary of the Company, as the business of the Company may be constituted at the time of termination of employment.

H. Confidentiality

All information regarding the business and affairs of the Company developed or acquired by, or furnished to, Officer while employed or associated with the Company, which is not generally available to the public, is acknowledged to be confidential information and the exclusive property of the Company. During and after such employment, Officer agrees that, subject to applicable law, he will not, directly or indirectly, divulge in any

manner, use, or cause or suffer to be used for any purpose any such information in competition with, or contrary to, the interests of the Company.

I. Notices

All notices under this Agreement will be in writing and sent to Officer at 7767 Ludington Place, La Jolla, California 92037, and to the Company at P.O. Box 129400, San Diego, California 92112-9400. Notice will be deemed to be given when sent by ordinary mail.

J. Prior Agreements

This Agreement supersedes and replaces all prior agreements of employment between the parties.

K. Attorney's Fees

If, after any "change in control" as defined in the Company's 1986 Long Term Incentive Plan, it becomes necessary for Officer to commence or become a party to litigation for the purposes of enforcing any rights arising under this Agreement, Officer shall be entitled to reimbursement from the Company for all legal fees, costs, and expenses incurred in connection with any such litigation; provided that any claim or action initiated by Officer in good faith relating to this Agreement shall have been made or brought after reasonable inquiry and shall be well grounded in fact and warranted by existing law or a good faith argument for extension, modification or reversal of existing law, and that it is not brought for any improper purposes such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

L. Successors and Assigns

The rights and obligations of the Company under this Agreement shall enure to the benefit of and shall be binding upon the successors and assigns of the Company including successors created by mergers, acquisitions, reorganizations, or consolidations. Officer shall have the right to assign the benefits accruing to him under this Agreement to the Stephen L. Baum and Brenda Baker Family Trust UTD March 14, 1995, and any successor trust thereto

M. Severability

If any of the terms or conditions of this Agreement shall be declared void or unenforceable by any court or administrative body of competent jurisdiction, such term or condition shall be deemed severable from the remainder of this Agreement, and the other terms and conditions of this Agreement shall continue to be valid and enforceable.

N. Construction

This Agreement shall be construed under the laws of the State of California. Section headings are for convenience only and shall not be considered a part of the terms and conditions of the Agreement.

IN WITNESS WHEREOF, ENOVA CORPORATION has caused this Agreement to be executed by a duly authorized officer of the Company, and Officer has agreed to the Agreement's terms and conditions this 18th day of September, 1996.

ENOVA CORPORATION
A California Corporation

By: -----
(Authorized Officer)

(Title)

OFFICER

As witnessed by: -----

SAN DIEGO GAS & ELECTRIC COMPANY
EMPLOYMENT AGREEMENT

This Agreement is made as of the 18th day of September, 1996, between San Diego Gas & Electric Company, a California corporation (hereinafter the "Company") and a subsidiary of Enova Corporation, a California corporation ("Enova") and Donald E. Felsing, President and Chief Executive Officer of the Company and Executive Vice President of Enova (hereinafter "Officer").

The Company desires to retain the services of Officer and Officer is willing to enter into this Agreement for such periods and upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and agreements hereinafter set forth, the parties agree as follows:

A. Position

1. The Company hereby employs Officer and Officer accepts employment with the Company during the Term of Employment as set forth in Section B of this Agreement to perform, at the direction of the Board of Directors, the duties of Chief Executive Officer of the Company including, but not limited to, directing the overall business, affairs and operations of the Company, through its officers, all of whom, except for the Chairman and the Vice Chairman, shall report, directly or indirectly, to Officer, for the compensation and upon the terms and conditions hereinafter provided. During the Term of Employment, Officer will also serve as Executive Vice President of Enova.

2. During the Term of Employment, Officer will:

(a) Serve the Company and Enova well and faithfully in conformity with the direction of the Board of Directors of the Company and, in the case of Enova, the Chief Executive Officer;

(b) Devote his entire time, effort and attention to the business of the Company, Enova and their subsidiaries. Officer shall not personally engage in any other business activity for gain or profit. Officer may invest his assets in other companies so long as such investments do not require Officer's services or active management; and

(c) Do nothing inconsistent with his responsibilities, duties, and obligations to the Company and Enova, as defined the Board of Directors of the Company and, in the case of Enova, the Chief Executive Officer.

B. Term of Employment

1. Subject to the applicable provisions of this Section B and Sections D and E hereof, Officer's Term of Employment, as this phrase is used throughout this Agreement, shall be for an initial period of two (2) years beginning September 18, 1996. The Term of Employment shall be automatically extended for a two (2) year period on September 18, 1998 and on each even numbered anniversary thereof, unless it shall be terminated as set forth herein.

2. Notwithstanding the foregoing, the Term of Employment shall terminate upon the occurrence of one or more of the following events:

(a) The passage of two (2) years from the giving of written notice of termination to Officer by the Board of Directors;

(b) The death of Officer;

- (c) The "permanent disability" of Officer as defined in the Company's Salary Continuation Plan (long-term disability insurance plan);
 - (d) A termination pursuant to Section D or E; and
 - (e) The dissolution, liquidation or winding-up of the Company;
- and
- (f) The retirement of Officer.

C. Compensation and Benefits

1. Officer will be compensated for his services to the Company as follows:

(a) During the Term of Employment, Officer will receive a base salary for his services at the annual rate of not less than three hundred and fifty thousand (\$350,000.00) dollars, or such greater amount as may from time to time be determined by the Board of Directors of the Company (the "Base Salary"), which amount will be paid in accordance with the Company's normal payroll practices;

(b) In addition to the Base Salary, Officer will be entitled to participate in the Company's Executive Incentive Plan, any other annual bonus plan, the Savings Plan (including the 401(k) option), the 1986 Long Term Incentive Plan and any other Company long-term incentive plan;

(c) Officer will be entitled to participate fully in the Company's Supplemental Executive Retirement Plan ("SERP") and the Pension Plan and any modification thereof or successor plan thereto at not less than his current entitlement, together with any improvements thereto; provided however, that Officer shall have the

benefits provided in Section F in lieu of the benefits provided for in the SERP pursuant to the change in control provisions thereof.

(d) Officer will be entitled to participate in any deferred compensation plans which have been or will be offered to any other officers of the Company and in all other fringe benefits, including, but not limited to, life and health insurance, Company car and executive perquisites in accordance with the Company's standard policy or as more favorably determined by the Board of Directors;

(e) Officer shall have the benefits described in Section F in lieu of any rights under the Company's Executive Severance Allowance Plan; and

(f) Officer will receive prompt reimbursement for all business-related expenses substantiated in accordance with Company policy, which shall for Officer be no less restrictive than existing at the date of this Agreement.

2. Wherever referred to in this Agreement, all benefit or compensation plans, programs or policies of the "Company" shall be construed so as to refer to the appropriate plan, program or policy that is sponsored, maintained or contributed to by either the Company or Enova, as the case may be.

D. Right to Terminate by the Company

1. The Company, acting by a vote of its Board of Directors as provided in (c) below, will have the right to terminate the Term of Employment for cause as set forth in (a) and (b) below:

(a) The willful, substantial, continued, and unjustified refusal of Officer to perform the duties required of him by this Agreement to the extent of his ability to do so,

provided Officer has not first given notice of termination for "good cause" as set forth in Section E, paragraph 2, below; or

(b) The willful engaging by Officer in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise.

For purposes of this paragraph, no act, or failure to act, on Officer's part shall be deemed "willful" unless done, or omitted to be done, by Officer not in good faith and without reasonable belief that Officer's action or omission was in the best interests of the Company.

(c) Notwithstanding the foregoing, Officer shall not be deemed to have been terminated for cause unless and until there shall have been delivered to Officer a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board of Directors at a meeting of the Board (after reasonable notice to Officer and an opportunity for Officer, together with Officer's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Officer was guilty of engaging in such conduct.

2. The Company, acting by majority vote of its Board of Directors, will have the right to terminate the Term of Employment without cause upon thirty (30) days' written notice to Officer.

3. Upon termination of Officer under Section D, paragraph 1 or upon notice of termination under Section D, paragraph 2, the Company may require Officer to vacate the Company premises immediately and surrender all access thereto, which requirements shall not prejudice any rights of Officer under this Agreement.

E. Right to Termination by Officer

1. Officer may terminate the Term of Employment without cause upon not less than thirty (30) days' written notice to the Company.

2. Officer may terminate the Term of Employment upon the occurrence without Officer's consent of one of the following events, which events constitute "good cause" for Officer to terminate his employment:

(a) The Company violates any provision of Section C of this Agreement;

(b) An adverse and significant change in position, duties, responsibilities, or status within the Company or Enova, including the failure to be nominated to the Board of Directors of the Company, the failure to be elected to the Board of Directors of the Company or the failure to be elected Chief Executive Officer of the Company; or

(c) A change in Officer's normal business location to a point away from the Company's main headquarters. Such voluntary termination for "good cause" shall be effective as of the last day of the month of Officer's giving of written notice to the Company.

F. Rights of Officer upon Termination of Term of Employment

1. Termination pursuant to Section B, paragraphs 2(a), (b), (c) or (f), or Section D, paragraphs 1(a) or (b) or Section E, paragraph 1, will result in benefits through the last day of the Term of Employment in accordance with the terms hereof and, thereafter, no benefits in addition to those to which Officer would be entitled pursuant to any then-existing Company benefit plan, incentive plan or agreement.

2. Termination pursuant to Section B, paragraph 2(e) or Section D, paragraph 2 or Section E, paragraph 2(a), (b) or (c), will result in the following benefits becoming payable to Officer:

(a) Two (2) years' Base Salary paid in a lump sum to be determined by annualizing the highest monthly Base Salary paid at any time during the Term of Employment;

(b) A bonus equivalent to two (2) times the average of the three years' highest gross bonus awards, not necessarily consecutive, paid by the Company to Officer in the previous five (5) years, payment to be made upon execution by Officer of a customary release of claims in favor of the Company;

(c) Immediate vesting and/or the immediate ability to exercise any rights and/or immediate removal of all restrictions on any 1986 Long Term Incentive Plan award or other long or short term incentive award already granted at the time of termination, and notwithstanding any conflicting provision in such plan, each option or award granted to Officer shall remain outstanding for three (3) years from the date of Officer's termination;

(d) Continuation of health and life insurance benefits and other existing benefit plans for a period of two (2) years; and

(e) Two (2) years of additional age and service credit for purposes of calculation of retirement benefits under the SERP; provided, however, that if Officer has not then attained age 53 at the time the credit for age and service is given, he will be credited with the additional amount of age credit as if he had attained age 55; and provided further, that there shall be no reduction under the SERP for early retirement as set forth in Paragraph

4.a.ii of the SERP, except for the early retirement reduction factor as determined in accordance with the table in Section 5.4 of the Company Pension Plan (the "Pension Plan"), which factors shall be applied to Officer's age and years of service after he is credited with the additional age and service described above. In addition, Officer's termination shall be a "Qualifying Termination" as defined in the Split Dollar Life Insurance Agreement entered into between the Company and Officer. The Company shall also take such steps, including the payment of additional premiums, as may be necessary so that cash value of the policy as of the date of termination shall reflect the additional two (2) years of age and service credit set forth above.

3. Termination following a Change of Control as defined in Section 2 of the Amended 1986 Long Term Incentive Plan ("Change of Control") and pursuant to Section B, paragraph 2(e) or Section D, paragraph 2 or Section E, paragraph 2(a), (b) or (c), will result in the following benefits to Officer:

(a) Two (2) years Base Salary paid in a lump sum to be determined by annualizing the highest monthly Base salary paid at any time during the Term of Employment;

(b) A bonus equivalent to two (2) times the average of the three years' highest gross bonus awards, not necessarily consecutive, paid by the Company to Officer in the previous five (5) years;

(c) Immediate vesting and/or the immediate ability to exercise any rights and/or immediate removal of all restrictions on any 1986 Long Term Incentive Plan award or other long or short term incentive award already granted at the time of termination; and

notwithstanding any conflicting provision in such plan, each option or award held by the Officer remaining outstanding until the expiration of its term;

(d) Continuation health and life insurance benefits and other existing benefit plans until Officer reaches normal retirement age under the Pension Plan and thereafter to the same extent as an Officer retiring at normal retirement age under the Pension Plan;

(e) A lump sum payment of benefits under the SERP as described in paragraph 2.c of the SERP, less the value calculated consistently with paragraph 4.b. of the SERP of Officer's entitlement under the Pension Plan. Such benefit shall be calculated and paid without regard to the limitation described in the SERP relating to Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"). The Actuarial Present Value of the benefit as described in paragraph 2.c of the SERP shall be determined with the credit to Officer of two (2) years of additional age and service; provided, however, that if Officer has not then attained age 53 at the time the credit for age and service is given, he will be credited with the additional amount of age credit as if he had attained age 55; and

(f) Termination pursuant to this Section F, paragraph 3 shall be a "Qualifying Termination" as defined in the Split Dollar Life Insurance Agreement entered into between the Company and Officer.

4. In the event that the payments provided for under Section F, paragraph 3 or any portion of the payments received in the event of a Change of Control will be subject to the excise tax imposed by Section 4999 of the Code, the Company shall pay Officer on or before the thirty (30) calendar days following the date of termination, an additional amount

such that the net amount retained by the Officer will be the same as if no excise tax were imposed. In the event that any payment made pursuant to Section F, paragraph 2 of this Agreement becomes subject to the excise tax referred to above as a result of a subsequent Change of Control, Company shall pay Officer on or before thirty (30) calendar days prior to the date such excise tax would be payable, an additional amount such that the net amount retained by the Officer is the same as if no excise tax were imposed. The Employer's auditors will complete all calculations for purposes of determining the termination payments subject to section 4999 of the Code and any additional amount required to be paid to the Officer because of Section 4999.

5. Any lump sum payment or other payment to be made hereunder will be paid to Officer on the date the Term of Employment ends. Payment will be by certified check to the order of Officer. Late payments will bear interest at the prime rate as published from time to time by Citibank, New York, compounded quarterly, and payable when the lump sum due is paid.

6. In the event of the retirement of Officer, this Agreement shall terminate on the date of Officer's retirement and Officer shall be entitled to any and all retirement benefits for which he is eligible.

G. Covenant Not to Compete

During the Term of Employment and for one (1) year thereafter, Officer shall not become an officer, employee, agent, partner, or director of any business enterprise in the western United States in substantial direct competition with the Company or with any

subsidiary of the Company, as the business of the Company may be constituted at the time of termination of employment.

H. Confidentiality

All information regarding the business and affairs of the Company developed or acquired by, or furnished to, Officer while employed or associated with the Company, which is not generally available to the public, is acknowledged to be confidential information and the exclusive property of the Company. During and after such employment, Officer agrees that, subject to applicable law, he will not, directly or indirectly, divulge in any manner, use, or cause or suffer to be used for any purpose any such information in competition with, or contrary to, the interests of the Company.

I. Notices

All notices under this Agreement will be in writing and sent to Officer at 12825 Lunada Place, San Diego, California 92128, and to the Company at 101 Ash Street, San Diego, California 92101. Notice will be deemed to be given when sent by ordinary mail.

J. Prior Agreements

This Agreement supersedes and replaces all prior agreements of employment between the parties.

K. Attorney's Fees

If, after any "change in control" as defined in the Company's 1986 Long Term Incentive Plan, it becomes necessary for Officer to commence or become a party to litigation for the purposes of enforcing any rights arising under this Agreement, Officer shall be entitled to reimbursement from the Company for all legal fees, costs, and expenses incurred

in connection with any such litigation; provided that any claim or action initiated by Officer in good faith relating to this Agreement shall have been made or brought after reasonable inquiry and shall be well grounded in fact and warranted by existing law or a good faith argument for extension, modification or reversal of existing law, and that it is not brought for any improper purposes such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

L. Successors and Assigns

The rights and obligations of the Company under this Agreement shall enure to the benefit of and shall be binding upon the successors and assigns of the Company including successors created by mergers, acquisitions, reorganizations, or consolidations. Officer shall have the right to assign the benefits accruing to him under this Agreement to the Donald E. Felsing and Patricia F. Felsing Family Trust, executed May 18, 1995, and any successor trust thereto.

M. Severability

If any of the terms or conditions of this Agreement shall be declared void or unenforceable by any court or administrative body of competent jurisdiction, such term or condition shall be deemed severable from the remainder of this Agreement, and the other terms and conditions of this Agreement shall continue to be valid and enforceable.

N. Construction

This Agreement shall be construed under the laws of the State of California. Section headings are for convenience only and shall not be considered a part of the terms and conditions of the Agreement.

IN WITNESS WHEREOF, SAN DIEGO GAS & ELECTRIC COMPANY has caused this Agreement to be executed by a duly authorized officer of the Company, and Officer has agreed to the Agreement's terms and conditions this 18th day of September, 1996.

SAN DIEGO GAS & ELECTRIC COMPANY
A California Corporation

By _____
(Authorized Officer)

(Title)

OFFICER

As witnessed by: _____

ENOVA CORPORATION
1986 LONG-TERM INCENTIVE PLAN

(Amended and Restated Effective April 25, 1995
and as Amended Through July 22, 1996)

I. Purpose of the Plan. The purpose of the 1986 Long-Term Incentive Plan is to promote the interests of Enova Corporation 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 Enova Corporation.

(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 Enova Corporation and its subsidiaries.

(e) "Common Shares" or "Common Stock" means the common shares of Enova Corporation 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, 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 provisions 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.

(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.

(e) Notwithstanding the provisions of subparagraph (b) above and Section 17, subparagraph (d), Restricted Stock granted or sold may be held by the trustee of a revocable inter vivos trust, approved by the Company, established in whole or in part by the Holder and/or the Holder's spouse. So long as the Holder is still an employee, transfer to such trust shall not violate the provisions of subparagraph (b) above and ownership by such trust shall not invoke any right or obligation of the Company under Section 17, subparagraph (d).

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.

CONFIDENTIAL

SAN DIEGO GAS & ELECTRIC COMPANY

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(Restated as of August 26, 1996)

1. Purpose and Nature of Plan; Effective Date.

The purpose of the San Diego Gas and Electric Company Supplemental Executive Retirement Plan ("Plan") is to provide a retirement benefit in addition to that provided under the San Diego Gas & Electric Company Pension Plan to Officers or designated Executives of the Company.

The Plan is unfunded. Benefits are payable only from the general assets of the Company, and not from any separate fund or trust. The Plan is exempt from the requirements of the federal Employee Retirement Income Security Act of 1974 ("ERISA"), except for the reporting and disclosure requirements contained in Part 1 of Subtitle of Title I of ERISA.

The Plan was effective 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 26, 1992, May 24, 1993, November 22, 1993, and July 25, 1994.

2. Definitions.

a. Board of Directors means the Board of Directors of San Diego Gas & Electric Company.

b. Cause means the termination of employment by the Company for:

i. the willful and continued failure to substantially perform assigned duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a request for substantial performance is delivered by the Board which specifically identifies the manner in which the Board believes the Officer or Executive has not substantially performed assigned duties, or

ii. the willful engaging in gross misconduct materially and demonstrably injurious to the Company. No act, or failure to act, shall be considered "willful" unless done, or omitted to be done, not in good faith and without reasonable belief that the action or omission was in the best interest of the Company.

Notwithstanding the foregoing, an Officer or Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Officer or Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board, excluding the Officer or Executive if a Board member, at a meeting of the Board called and held for the purpose (after reasonable notice and an opportunity, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Officer or Executive was guilty of conduct set forth above and specifying the particulars thereof in detail.

c. 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. At such time, or within three years thereafter, regardless of whether provisions are made in connection with such transaction for the continuance of the Plan, if the Company or surviving corporation shall terminate the Officer's or Executive's employment for other than Cause, Retirement, Death, or Disability, or if the Officer or

Executive shall terminate employment for Good Reason, then the Officer or Executive shall become eligible for and entitled to benefits calculated under the provisions in Section 4.a.i. with survivor benefits calculated under the provisions of Section 4.e.i., both based upon ten years of service and calculated without reference to the service ratio noted in Section 4.a.ii. Such benefit shall be paid by the Company to the Officer or Executive in a lump sum, in cash, on the fifth day following the date of termination. Except for any limitations of Section 280G of the Internal Revenue Code described below, such amount will equal the Actuarial Present Value of the benefit so determined. However, if the Officer or Executive is otherwise eligible for Early Retirement pursuant to Section 2.f.i., he or she may, at his or her sole discretion, elect to receive the benefit determined above as an early retirement benefit, reduced for early commencement by the appropriate early retirement reduction factor as determined in accordance with the Pension Plan, but without adjustment by the service ratio noted in Section 4.a.ii. Actuarial Present Value shall be determined on the basis of 7.75% interest and using the UP-1984 Unisex Pension Mortality Table for post-retirement ages only. The Actuarial Present Value of the benefit calculated pursuant to Section 4.a.i. shall be determined as the present value of an annuity deferred to age 62 (or an immediate annuity, if the Officer or Executive has attained a greater age on the date of determination) assuming an eligible spouse at annuity commencement as described in the following two sentences. If the Officer or Executive is married at the time of lump sum payment, the Actuarial Present Value shall be calculated assuming the marriage continues to retirement. If the Officer or Executive is unmarried, the Actuarial Present Value shall be calculated assuming the presence of a spouse, three years younger than the Officer or Executive, at retirement. The Actuarial Present Value of the Offset to Retirement Benefits, pursuant to Section 4.b. shall be determined as the present value of an annuity deferred to Normal Retirement Age under the Pension Plan (or an immediate annuity, if the Officer or Executive has attained a greater age on the date of determination) and without reference to potential increases in such benefits pursuant to cost of living adjustments. However, payment pursuant to this Plan may be limited by the Company in its good faith discretion to the extent payments hereunder constitute a parachute payment (under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")) which causes total parachute payments to the Officer or Executive to exceed 2.99 times the Participant's "annualized includable compensation for the base period" (as defined in Code Section 280G). The determination of any limitation of payment hereunder shall be made by the Company, and the Company shall determine in good faith, upon consulting with the Officer or Executive, on the manner in which parachute payments under this and other plans or agreements are limited.

Notwithstanding the foregoing, in the event payments under this Plan or any other plan are adjusted because of the limits of Code Section 280G, such adjustments shall be made first with respect to payments under the San Diego Gas & Electric Company Executive Severance Allowance Plan.

d. Company means San Diego Gas & Electric Company.

e. Executive means a management or highly compensated employee of the Company (within the meaning of Section 201(2) of ERISA) who is designated by the Board of Directors, in its discretion, to be eligible to participate in the Plan.

f. Final Pay means 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, not necessarily consecutive, of the person concerned.

g. Good Reason means termination of employment by the Officer or Executive when one or more of the following occurs without the Officer's or Executive's express written consent within three years after a Change-in-Control:

i. an adverse and significant change in the Officer's or Executive'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 Officer's or Executive's Early (i.i) or Normal Retirement Date (i.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.

h. Officer means an officer of the Company, but not including assistant officers or assistants to officers. For example, an Assistant Secretary would not be considered as an Officer for the purposes of the Plan.

i. Pension Plan means the San Diego Gas & Electric Company Pension Plan.

j. Retirement.

i. Early Retirement means retirement from service with the Company anytime after attaining age 55 and completing 5 Years of Service, but before age 65. Provided there shall be no reduction in the Normal Retirement Benefit computed under Section 4.a.ii. in the case of an Officer or Executive who has attained age 62.

ii. Normal Retirement means retirement from service with the Company at age 65 or, if later, upon the fifth anniversary of the date on which the Officer or Executive became eligible to participate in the Plan.

iii. Late Retirement means retirement from service with the Company after Normal Retirement.

k. Years of Service means Years of Service as defined in the Pension Plan, but including for purposes of this Plan only Years of Service from date of hire to the earlier of date of death, date of Early Retirement, or attainment of age 65.

l. Surviving Spouse means the person legally married to an Officer or Executive for at least one year prior to the Officer's or Executive's death.

m. Participant means the Officers and Executives who have been designated by the Company to participate in the Plan.

3. Eligibility and Participation.

All Officers and Executives (as defined in Section 2.e) are eligible to participate in the Plan.

4. Benefits.

a. Retirement Benefits. Subject to the further provisions of this Section 4, Retirement Benefits will be computed and paid as follows:

i. Normal Retirement Benefit, as to Officers and Executives who are Participants in the Plan on June 30, 1994, shall be a monthly benefit equal to 6% times Years of Service (to a maximum of 10 years) times Final Pay. As to Officers and Executives who become Participants in the Plan on or after July 1, 1994, Normal Retirement Benefit shall be a monthly benefit equal to 5% times Years of Service (to a maximum of 10 years) times Final Pay.

ii. Early Retirement Benefit shall be the Normal Retirement Benefit accrued to the date of Early Retirement, multiplied by the ratio of the lesser of his or her Years of Service to his or her date of Early Retirement or to age 62 over his or her Years of Service projected to age 62, and further multiplied by the appropriate early retirement reduction factor as determined in accordance with the Pension Plan.

iii. Late Retirement Benefit shall be the Normal Retirement Benefit accrued to the Normal Retirement date (age 65) but not beyond, payable at Late

Retirement. However, the Board of Directors in its sole discretion, may increase the amount of the Late Retirement Benefit if the Officer or Executive concerned continues in the employment of the Company after age 65 at the request of the Board of Directors.

b. Offset to Retirement Benefits. The retirement benefit payments set forth in Section 4.a. shall be reduced by the amount of the retirement payments, without regard to cost of living adjustments occurring after retirement, made to the retired Officer or Executive under the Pension Plan.

c. Normal Form of Retirement Benefits shall be a monthly benefit payable for the lifetime of the Officer or Executive, with benefits payable after his or her death to a Surviving Spouse in accordance with Section 4.e.

d. Optional Forms of Retirement Benefit are not available.

e. Death Benefit.

i. As to Officers and Executives who are Participants in the Plan on June 30, 1994, if death occurs before or after Retirement, a monthly lifetime benefit shall be payable to the Surviving Spouse of the Officer or Executive, equal to 3.0% times the Officer's or Executive's Years of Service (to a maximum of 10 years) times Final Pay. As to Officers and Executives who become Participants in the Plan on or after July 1, 1994, if death occurs before or after Retirement, a monthly lifetime benefit shall be payable to the Surviving Spouse of the Officer or Executive, equal to 2.5% times the Officer's or Executive's Years of Service (to a maximum of 10 years) times Final Pay.

ii. Any payments made pursuant to this Section 4.e. shall be reduced by the amount of any benefits payable under the Pension Plan subsequent to the death of the Officer or Executive.

f. Termination of Service.

No benefits will be payable under the Plan upon the termination of service of an Officer or Executive for reasons other than Death, Disability or Retirement, Change-in-Control or Good Reason under the Plan.

g. Disability Benefit.

i. As to Officers and Executives who are Participants in the Plan on June 30, 1994, if an Officer or Executive becomes disabled, as determined by the Board of Directors, a monthly benefit shall be payable to such Officer or Executive until the earlier of recovery, death, or the later of age 65 or the fifth anniversary of the commencement of the disability, equal to 60% of Final Pay. As to Officers and Executives who become Participants in the Plan on or after July 1, 1994, if an Officer or Executive becomes disabled, as determined by the Board of Directors, a monthly benefit shall be payable to such Officer or Executive until the earlier of recovery, death, or the later of age 65 or the fifth anniversary of the commencement of the disability, equal to 50% of Final Pay.

ii. Any payments made pursuant to this Section 4.g. shall be reduced by the amount of any disability benefits payable to the Officer or Executive and his or her family under any Company-sponsored disability program or governmental disability program.

iii. Upon the cessation of Disability Benefits, subsequent Retirement or Surviving Spouses' benefits shall be calculated in accordance with other Sections of this Plan.

h. Adjustment of Benefits.

Once determined, the benefits payable under the Plan may not be adjusted upward or downward (other than in accordance with the offset provisions contained in the Plan) except by action of the Board of Directors. Any such adjustments shall be based upon, but need not be equivalent to, changes in the Consumer Price Index, All Items, U. S. City Average, of the Bureau of Labor Statistics of the U. S. Department of Labor. The Board of Directors reserves the right to so adjust benefits payable under the Plan at any time, whether such change

occurs prior to the time an Officer or Executive retires or dies, or after the time payment of benefits commences.

i. Forfeiture of Benefits.

As a condition of receiving benefits under the Plan, an Officer or Executive shall not after Retirement voluntarily appear against the Company before any judicial or administrative tribunal or legislative body, on any matter about which he or she possesses any expertise or special knowledge relative to the Company's business. Any breach of this condition will result in complete forfeiture of any further benefits under the Plan.

5. Administration of the Plan.

The Plan shall be administered by the Pension Committee of the Pension Plan, subject, however, to any action taken by the Board of Directors in respect to the Plan. The Pension Committee shall have the authority to interpret the Plan, shall file with the Department of Labor and distribute to the Officers or Executives the reports and other information required by ERISA, and shall otherwise be responsible for administration of the Plan.

The Committee (or the Board of Directors, to the extent provided in the Plan) shall have the exclusive right and full discretion to interpret the Plan and to decide any and all matters arising hereunder (including the right to remedy possible ambiguities, inconsistencies or omissions), to make, amend and rescind such rules as it deems necessary for the proper administration of the Plan and to make all other determinations necessary or advisable for the administration of the Plan, including determinations regarding eligibility for benefits under the Plan and determinations of the amount of benefits payable under the Plan. All interpretations of the Committee or the Board of Directors with respect to any matter hereunder shall be final, conclusive and binding on all persons affected thereby.

No member of the Committee shall vote on any matter affecting such member.

6. Amendment and Termination of the Plan.

The Board of Directors may amend or terminate the Plan at any time except that no such amendment or termination may occur as a result of a Change-in-Control, within three years after a Change-in-Control, or as a part of any plan to effect a Change-in-Control. However, no such amendment or termination shall apply to any person who has then qualified for or is receiving benefits under the Plan.

7. Claims Procedure.

The committee (and the Board of Directors, on the appeal of the denial of a claim) has full discretion and the exclusive right to determine eligibility for benefits under the Plan. The Committee's decision on a claim for benefits is final and binding on all persons, except as to an appeal of the Committee's denial of a claim to the Board of Directors. The Board of Directors' decision on an appeal of the Committee's denial of a claim for benefits is final and binding on all persons.

Any person who believes that benefits have been denied under the Plan to which he or she believes he or she is entitled may file a written claim with the Committee setting forth the nature of the benefit claimed, the amount thereof, and the basis for the claim of entitlement to such benefit. The Committee shall determine the validity of such claim and notify the claimant of the Committee's determination by first class mail within 90 days of the receipt of the written claim. In the case of a denial of claim, the notice shall set forth in understandable language;

a. The specific reason for the denial;

b. Specific references to pertinent Plan provisions on which the denial is based;

c. A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and

d. An explanation of the Plan's claim review procedure.

Within 60 days of the receipt of a denial of his or her claim, the claimant, or an authorized representative may file a written request for a full review by the Board of Directors of the claim for benefits. The Board of Directors shall fully review the claim for benefits and the prior denial of the claim and shall provide an opportunity for the claimant, or an authorized representative to review pertinent documents and submit issues and comments in writing. A decision upon review of the claim shall be made by the Board of Directors within 60 days of receipt of the request for review. The decision on review shall be in writing, and in understandable language, shall state the specific reasons for the decision, and shall include specific references to the pertinent Plan provisions on which the decision is based. The decision of the Board of Directors after review shall be final and conclusive on all persons.

8. Miscellaneous.

a. This Plan is "unfunded" and "maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" pursuant to Section 401(a)(1) of ERISA. Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind or a fiduciary relationship between the Company and an Officer, Executive, Surviving Spouse, or any other person. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company. Title to and beneficial ownership of any asset, whether case or investments, which the Company may earmark to pay the deferred compensation hereunder shall at all times remain assets of the Company, and neither an Executive, Officer, or Surviving Spouse nor any other person shall, under this Plan, have any property interest whatsoever in any specific assets in the Company.

b. If any provision in the Plan is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.

c. The Committee shall not recognize any transfer, mortgage, pledge, hypothecation, order or assignment by any Officer, Executive or Surviving Spouse of all or part of his or her interest hereunder, and such interest shall not be subject in any manner to transfer by operation of law, and shall be exempt from the claims of creditors or other claimants from all orders, decrees, levies, garnishment and/or executions and other legal or equitable process or proceedings against such Officer, Executive or Surviving Spouse to the fullest extent which may be permitted by law;

d. The Plan shall be construed in accordance with ERISA and, to the extent not preempted by ERISA, the laws of the State of California.

9. Offset for Certain Benefits Payable Under Split-Dollar Life Insurance Agreements.

a. Offset Value

Some of the Participants under this Plan own life insurance policies (the "Policies") purchased on their behalf by the Company. The ownership of these Policies by each Participant is, however, subject to certain conditions (set forth in a "Split-Dollar Insurance Agreement" between the Participant and the Company) and, if the Participant fails to meet the conditions set forth in the Split-Dollar Life Insurance Agreement, the Participant may lose certain rights under the Policy. In the event that a Participant satisfies the conditions specified in Section 4 or 5 of the Split-Dollar Life Insurance Agreement, so that the Participant or his or her beneficiary becomes entitled to benefits under one of those sections, the value of those benefits shall constitute an offset to any benefits otherwise payable under this Plan. As the case may be, this offset (the "Offset Value") shall be calculated by determining the value of benefits paid or payable under the Split-Dollar

Life Insurance Agreement, that is, the cash value of the Policy, or in the case of the Participant's death, the death benefits payable to the beneficiary under the Policy. At the time when the Participant terminates employment, the Actuarial Equivalent (as defined in paragraph 9.d) of the Offset Value shall be compared to the Actuarial Equivalent (as defined in paragraph 9.d) of the benefits payable under this Plan (the "Plan Value"), and the Plan Value shall be reduced by the Actuarial Equivalent of the Offset Value. The Plan Value shall be calculated by assuming that the Participant or beneficiary immediately commences the receipt of benefits upon termination of employment.

b. Manner and Calculation of Payment.

i. At the time when the Participant terminates employment, if the Plan Value exceeds the Actuarial Equivalent (as defined in paragraph 9.d) of the Offset Value, the excess of the Plan Value over the Actuarial Equivalent of the Offset Value shall be paid to the Participant or beneficiary in the manner provided under this Plan; provided that, if the excess of the Plan Value over the Actuarial Equivalent of the Offset Value is less than \$10,000, such excess shall be paid to the Participant or beneficiary at that time in a cash lump sum.

ii. Notwithstanding anything contained herein to the contrary, to avoid any loss of benefits from the use of a mortality assumption of age 80 in the definition of Actuarial Equivalent in paragraph 9.d, if the Participant or Surviving Spouse survives past his or her 80th birthday, benefits shall be payable to him or her in the manner and amount provided under this Plan as if the offset provisions of this paragraph 9 had not been included in the Plan document.

c. Payment of Certain Benefits.

If the Policy described in paragraph 9.a insures the life of an individual other than the Participant (the "Insured Party"), and if such Insured Party dies prior to the Participant's becoming eligible for benefits under the Plan, and if the Participant or the Participant's beneficiary subsequently becomes eligible for benefits hereunder, the Plan Value (as defined in paragraph 9.a) shall be offset by the Actuarial Equivalent (as defined in paragraph 9.d) of the death benefit previously paid to the Participant or the Participant's beneficiary pursuant to the Split-Dollar Life Insurance Agreement. If the Plan Value exceeds the Actuarial Equivalent of the death benefit previously paid to the Participant or the Participant's beneficiary, such excess shall thereupon be paid in the manner provided under this Plan; provided that, if the remaining amount of the Plan Value is less than \$10,000, such amount shall be paid to the Participant or beneficiary at that time in a cash lump sum. Paragraph 9.b.ii shall also apply.

d. Actuarial Equivalent.

For purposes of this paragraph 9, the Actuarial Equivalent shall mean a benefit in the form of a lump sum payment which has the equivalent value computed using the interest rate as defined in paragraph 9.e., compounded annually, and assuming that the Participant and Surviving Spouse each die on his or her 80th birthday and, in the case of the Plan Value, computed without reference to any potential increases in the benefit pursuant to cost of living adjustments; provided, however, that, in the case of a benefit payable pursuant to paragraph 2.c hereof, the Actuarial Equivalent shall be the lump sum amount determined under paragraph 2.c.

e. Interest Rate.

For purposes of this paragraph 9, the interest rate shall be fixed by the Executive Compensation Committee effective on the date the Participant or his or her beneficiary becomes entitled to benefits under the Split-Dollar Life Insurance Agreement.