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

For the quarterly period ended......September 30, 1994

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 1-3779

SAN DIEGO GAS & ELECTRIC COMPANY

(Exact name of registrant as specified in its charter)

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

101 ASH STREET, SAN DIEGO, CALIFORNIA	92101
(Address of principal executive offices)	(Zip Code)

Registrant's 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 October 31, 1994 116,475,955

PART I - FINANCIAL INFORMATION

SAN DIEGO GAS & ELECTRIC COMPANY

STATEMENTS OF CONSOLIDATED INCOME

(In thousands except per share amounts)

	Three Months Ended September 30, 1994	1993
	(Unaudited)	
Operating Revenues		
Electric	$387,144	$390,570
Gas	75,261	77,078
Diversified operations	29,081	27,387
Total operating revenues	491,486	495,035
Operating Expenses		
Electric fuel	42,311	44,436
Purchased power	93,409	87,080

Gas purchased for resale	24,567	32,779
Maintenance	15,400	20,569
Depreciation and decommissioning . . .	66,082	63,156
Property and other taxes	11,221	11,046
Other	112,076	123,845
Income taxes	43,797	35,267
Total operating expenses	408,863	418,178
Operating Income	82,623	76,857
Other Income and (Deductions)		
Allowance for equity funds used during construction	1,196	3,775
Taxes on nonoperating income	(2,349)	(1,129)
Other--net	5,470	4,818
Total other income and (deductions) .	4,317	7,464
Income Before Interest Charges	86,940	84,321
Interest Charges		
Long-term debt	23,534	22,608
Short-term debt and other	3,959	3,600
Allowance for borrowed funds used during construction	(342)	(985)
Net interest charges	27,151	25,223
Net Income (before preferred dividend requirements)	59,789	59,098
Preferred Dividend Requirements . . .	1,916	2,282
Earnings Applicable to Common Shares . .	$57,873	$56,816
Average Common Shares Outstanding . . .	116,475	116,335
Earnings Per Common Share	$0.50	$0.49
Dividends Declared Per Common Share . .	$0.38	$0.37

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION
SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENTS OF CONSOLIDATED INCOME
(In thousands except per share amounts)

	Nine Months Ended September 30, 1994	Nine Months Ended September 30, 1993
	(Unaudited)	
Operating Revenues		
Electric	$1,115,061	$1,111,218
Gas	252,371	257,190
Diversified operations	91,452	86,230
Total operating revenues	1,458,884	1,454,638
Operating Expenses		
Electric fuel	110,677	126,076
Purchased power	256,376	245,126
Gas purchased for resale	105,312	122,873
Maintenance	47,970	55,472
Depreciation and decommissioning	197,255	185,471
Property and other taxes	33,717	33,883
Other	365,184	349,388
Income taxes	119,410	113,327
Total operating expenses	1,235,901	1,231,616
Operating Income	222,983	223,022
Other Income and (Deductions)		
Writedown of intangibles	(59,116)	--
Writedown of real estate	(25,000)	--
Allowance for equity funds used during construction	6,036	13,851
Taxes on nonoperating income	9,853	(2,261)
Other--net	8,494	4,245
Total other income and (deductions)	(59,733)	15,835
Income Before Interest Charges	163,250	238,857
Interest Charges		
Long-term debt	69,038	71,211
Short-term debt and other	10,426	8,971
Allowance for borrowed funds used during construction	(2,580)	(3,229)
Net interest charges	76,884	76,953
Net Income (before preferred dividend requirements)	86,366	161,904
Preferred Dividend Requirements	5,747	6,645
Earnings Applicable to Common Shares	$80,619	$155,259
Average Common Shares Outstanding	116,480	115,901
Earnings Per Common Share	$0.69	$1.34
Dividends Declared Per Common Share	$1.14	$1.11

See notes to consolidated financial statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	September 30, 1994 (Unaudited)	December 31, 1993
ASSETS		
Utility plant--at original cost	$5,281,870	$5,134,251
Accumulated depreciation and decommissioning	(2,147,059)	(2,016,618)
Utility plant--net	3,134,811	3,117,633
Investments and other property	460,473	464,101
Current assets		
Cash and temporary investments	43,989	17,450
Accounts receivable	213,391	205,712
Notes receivable	30,475	29,201
Inventories	96,392	84,922
Other	37,630	40,810
Total current assets	421,877	378,095
Construction funds held by trustee	--	58,042
Goodwill	--	53,921
Deferred taxes recoverable in rates	286,452	311,564
Deferred charges and other assets	276,220	318,880
Total	$4,579,833	$4,702,236
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common equity	$1,463,124	$1,516,240
Preferred stock not subject to mandatory redemption	93,493	93,493
Preferred stock subject to mandatory redemption	25,000	25,000
Long-term debt	1,337,996	1,411,948
Total capitalization	2,919,613	3,046,681
Current liabilities		
Short-term borrowings	39,800	131,197
Long-term debt redeemable within one year	115,000	88,000
Current portion of long-term debt	92,241	76,161
Accounts payable	109,041	166,622
Dividends payable	46,177	44,962
Taxes accrued	79,912	36,830
Interest accrued	25,220	20,396
Regulatory balancing accounts overcollected -- net	118,308	33,179
Other	120,350	104,353
Total current liabilities	746,049	701,700
Customer advances for construction	38,277	41,729
Accumulated deferred income taxes--net	495,323	520,076
Accumulated deferred investment tax credits	110,340	114,159
Deferred credits and other liabilities	270,231	277,891
Total	$4,579,833	$4,702,236

See notes to consolidated financial statements.

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENTS OF CONSOLIDATED CASH FLOWS
(In thousands of dollars)

	Nine Months Ended September 30, 1994	1993
	(Unaudited)	
Cash Flows From Operating Activities		
Net Income	$86,366	$161,904
Adjustments to reconcile net income to net cash provided by operating activities		
Writedown of intangibles	59,116	--
Writedown of real estate	25,000	--
Depreciation and decommissioning	197,255	185,471
Amortization of deferred charges and other assets	9,647	4,443
Amortization of deferred credits and other liabilities.	(22,622)	(11,332)
Allowance for equity funds used during construction.	(6,036)	(13,851)
Deferred income taxes and investment tax credits	(15,538)	(28,592)
Other--net	31,304	11,571
Changes in working capital components:		
Accounts and notes receivable	(8,953)	(17,688)
Regulatory balancing accounts	85,129	26,025
Inventories	(11,470)	(17,792)
Other current assets	3,180	4,958
Accrued interest and taxes	51,059	75,782
Accounts payable and other current liabilities	(41,584)	(13,028)
Net cash provided by operating activities	441,853	367,871
Cash Flows From Financing Activities		
Dividends paid	(137,315)	(133,552)
Short-term borrowings--net.	(91,397)	598
Issuances of long-term debt	--	334,893
Repayment of long-term debt	(26,733)	(501,148)
Sale (redemption) of common stock	(929)	36,777
Issuances of preferred stock	--	34,694
Redemption of preferred stock	--	(20,370)
Net cash used by financing activities	(256,374)	(248,108)
Cash Flows From Investing Activities		
Utility construction expenditures	(197,715)	(208,908)
Withdrawals from construction trust funds - net	58,042	145,979
Contributions to decommissioning funds	(16,527)	(16,527)
Leasing investments	--	(19,729)
Other--net	(2,740)	(6,816)
Net cash used by investing activities	(158,940)	(106,001)
Net increase	26,539	13,762
Cash and temporary investments, beginning of period	17,450	11,079
Cash and temporary investments, end of period	$43,989	$24,841
Supplemental Disclosures of Cash Flow Information		
Income tax payments	$81,219	$71,484
Interest payments, net of amounts capitalized	$72,060	$80,047
Supplemental Schedule of Noncash Investing and Financing Activities		
Leasing investments	$ --	$150,880
Real estate investments	10,641	66,910
Total assets acquired	10,641	217,790
Cash paid	(52)	(28,189)

Liabilities assumed	$10,589	$189,601
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See notes to consolidated financial statements.

SAN DIEGO GAS & ELECTRIC COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(Unaudited)

1. GENERAL

SDG&E believes all adjustments necessary to present a fair statement of the consolidated 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.

SDG&E's significant accounting policies are described in the notes to consolidated financial statements in its 1993 Annual Report to Shareholders. SDG&E follows the same accounting policies for interim reporting purposes.

This quarterly report should be read in conjunction with SDG&E's 1993 Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q for the three months ended March 31, 1994 and June 30, 1994. The consolidated financial statements and Management's Discussion & Analysis of Financial Condition and Results of Operations included in SDG&E's 1993 Annual Report to Shareholders were incorporated by reference into SDG&E's 1993 Annual Report on Form 10-K and filed as an exhibit thereto.

2. MATERIAL CONTINGENCIES

INVESTMENT IN WAHLCO ENVIRONMENTAL SYSTEMS, INC.

SDG&E's investment in and advances to Wahlco aggregate $23 million at September 30, 1994 after the writedown of Wahlco's goodwill and other assets as described below and in Note 3. At September 30, 1994, Wahlco had consolidated net assets of $9 million. During the years ended December 31, 1991, 1992 and 1993, Wahlco's net income (loss) was $12 million, ($13 million) and ($11 million). During those years Wahlco's cash flow provided by (used in) operations was $7 million, ($7 million) and ($12 million). For the nine months ended September 30, 1994 Wahlco had a net loss but its operations provided a positive cash flow.

Historically, Wahlco's primary and most profitable product line has been flue gas conditioning equipment, which is sold to utilities with coal-fired generating plants. Since the passage of the 1990 Clean Air Act Amendments, Wahlco's prospects for future profitability have been significantly associated with the size and timing of flue gas conditioning equipment orders from utilities responding to that legislation. Phase I of that legislation requires certain utilities to submit compliance plans to the Environmental Protection Agency by February 28, 1993 and to be in compliance by January 1, 1995. Phase II requires the remaining utilities with coal-fired generation to be in compliance by January 1, 2000.

Thus far, sales of and orders for flue gas conditioning equipment have not reached anticipated levels in the United States as a result of many companies' delaying decisions on how to comply with the Clean Air Act, and as a result of increasing competition from the availability of federal pollution credits, aggressive pricing strategies by competitors, alternative methods of compliance, such as fuel blending, and other options. In late 1993 Wahlco recorded a restructuring charge to reflect the planned relocation of Wahlco's manufacturing operations in Canada and West Virginia to its other U.S. facilities. Wahlco has also recently reduced the number of employees by one-third and reduced its manufacturing square footage by about one-half. SDG&E continues to consider alternative strategies relative to its investment in Wahlco. Continued operating losses or the implementation of other strategies could lead to the further writeoff of a significant portion of SDG&E's remaining investment in Wahlco, resulting in a further adverse effect on SDG&E's earnings.

SAN ONOFRE NUCLEAR GENERATING STATION UNITS 2 & 3

SDG&E and the CPUC's Division of Ratepayer Advocates have signed a Memorandum of Understanding to negotiate a settlement on the recovery of costs associated with SONGS. Among the terms to be negotiated is a proposal to recover SONGS 2 and 3 capital costs of more than $750 million over an eight-year period beginning in 1996, rather than over the anticipated operational life of the units, which is expected to extend to 2013. During the eight-year period, the authorized rate of return would be reduced from 9.03 percent to 7.52 percent (SDG&E's requested 1995 embedded cost of debt). SDG&E also proposes a pay-for-performance plan that would encourage continued efficient operation of the plant. Under the plan, customers would pay about four cents for every kilowatt-hour of electricity produced by the plants during the eight-year period. This pricing plan would replace the traditional method of recovering the units' operating expenses and capital improvements. This is intended to make the plants more competitive with other sources. However, SDG&E is unable to predict the impact of this proposal, if approved, on results of operations. Southern California Edison (majority owner and operator of SONGS) has signed a similar Memorandum of Understanding with the DRA. SDG&E, Edison and the DRA have scheduled a settlement conference for November 3. A CPUC decision is expected in the first half of 1995.

NUCLEAR INSURANCE

Public liability claims that could arise from a nuclear incident are limited by law to $9 billion for each licensed nuclear facility. For this exposure, SDG&E and the co-owners of the San Onofre units have purchased primary insurance of $200 million, the maximum amount available. The remaining coverage is provided by secondary financial protection required by the Nuclear Regulatory Commission and provides for loss sharing among utilities owning nuclear reactors if a costly accident occurs. SDG&E could be assessed retrospective premium adjustments of up to $50 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.

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 indemnity payments for up to two years, after a waiting period of 21 weeks. Coverage is provided primarily 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 for these insurance programs, SDG&E could be assessed retrospective premium adjustments of up to $8 million.

3. WRITEDOWNS

In June 1994 SDG&E recorded writedowns related to the utility and its subsidiaries. The total amount of the writedowns was $96 million before income taxes. $59 million represents the writedown of goodwill and other intangible assets at Wahlco Environmental Systems as a result of the depressed air pollution-control market and increasing competition as described in Note 2. SDG&E also recorded a $25 million writedown of various commercial properties in Colorado Springs and in San Diego to reflect continuing declines in commercial real estate values. As a result of the California Public Utilities Commission's proposal to restructure the electric utility industry and the uncertainty concerning the impact of competition, SDG&E also recorded a $12 million writedown of various non-earning utility assets, including the South Bay Repower project. (Additional information on the CPUC's proposed industry restructuring and its potential impacts on SDG&E is provided below under "Regulatory Matters" in Management's Discussion & Analysis of Financial Condition and

Results of Operations.)

ITEM 2.

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

RESULTS OF OPERATIONS:

EARNINGS

Earnings per share for the three months ended September 30, 1994 were up $0.01 from the same period in 1993. Earnings per share for the nine months ended September 30, 1994 were down $0.65 from the same period in 1993 due to the writedowns described in Notes 2 and 3 of the notes to consolidated financial statements.

OPERATING REVENUE AND EXPENSE

Gas purchased for resale decreased for the nine months ended September 30, 1994 from the corresponding 1993 period primarily due to lower sales volumes.

Revenues from diversified operations for the nine months ended September 30, 1994 were up over the corresponding 1993 period, primarily due to Califia's increased leasing activities, partially offset by lower sales at Wahlco Environmental Systems, resulting from the continuing poor market for air pollution control products. Additional information concerning Wahlco is described in Note 2 of the notes to consolidated financial statements.

Other operating expenses increased for the nine months ended September 30, 1994 from the corresponding 1993 period primarily due to Califia's increased leasing activities.

REGULATORY MATTERS:

CALIFORNIA PUBLIC UTILITIES COMMISSION'S PROPOSED INDUSTRY RESTRUCTURING

In April 1994 the CPUC announced its proposal to restructure California's regulated electric utility industry to stimulate competition and to lower rates. The proposed regulatory framework would be phased in over a six-year period. Beginning in 1996, the utilities' largest customers (i.e. customers receiving service at transmission voltages) would be allowed to purchase their energy from either utility or nonutility suppliers. Other industrial and commercial customers would have this choice by between 1997 and 1999 depending on their energy requirements. Residential customers would have this choice by 2002. The utilities would continue to provide transmission and distribution services to customers that switch to other suppliers. The CPUC also proposed that the cost of providing these services and the cost of serving remaining utility customers would be recovered through a performance-based ratemaking process, replacing traditional cost-of-service ratemaking.

The CPUC is holding several full-panel hearings and public-participation hearings to address comments on its proposal. These hearings involve discussions of whether the CPUC's proposal or some other form of a competitive market should be developed, whether direct access and retail competition would be necessary for the CPUC to achieve its industry restructuring objectives, how such a market would be structured, and how the cost of the transition to competition and cost of the various utility-sponsored social programs should be shared.

Both the Federal Energy Regulatory Commission and the California legislature have raised the issue of whether the CPUC has the authority to unilaterally change the way rates are determined and power is sold, since several California statutes would need to be changed to accommodate the proposal and since the FERC would have jurisdiction over interstate power sales involving California's transmission network. The California legislature has passed a resolution forming an oversight committee to ensure the legislature's involvement in the policies proposed by the CPUC, and that the policies comply with

federal and state laws and achieve the objectives of both competition and the various social programs that are currently funded through utility rates.

SDG&E has proposed a multi-step process for the transition to competition, including: the establishment of a schedule for the transition to a competitive market that would allow the recovery of the above-market cost of existing generating plants, including the SONGS units, without having a significant rate increase or an adverse impact on SDG&E's earnings; the development of a fully competitive, pool-based wholesale market with open access to the transmission system for all power generators; and, to avoid self-dealing concerns, the separation of fossil-fuel generation (power plants and cogeneration contracts), transmission, and distribution assets. SDG&E's proposal also foresees: the renegotiation of long-term purchased power contracts, including contracts with cogenerators, to lower the cost of contracts to market price, but also to allow the recovery of any excess contract costs and other transition costs by allocating these costs to all utility customers through a distribution charge included in retail rates; the replacement of the Biennial Resource Plan Update process with short-term resource procurement; and, once the wholesale market is in place, the establishment of direct access to the competitive wholesale market for all customers at the same time, beginning in four to five years, rather than over the phase-in period ending in 2002 as proposed by the CPUC.

As the restructuring of the industry evolves, SDG&E will become more vulnerable to competition. California utilities' rates are significantly higher than the national average. However, among the investor-owned utilities in California, SDG&E has been the lowest-cost producer and it has a lower concentration of industrial customers, which make its customers a less likely target for outside competitors. In addition, SDG&E has not built a power plant in over 10 years, which lowers the risk associated with the recovery of its power-plant investment.

The accompanying balance sheet includes approximately $1 billion of utility plant and regulatory assets related to generating facilities. Recovery of these amounts is currently being collected in electric rates over various periods of time and the CPUC has stated that the recovery of remaining amounts will be provided for in the new environment. However, if the CPUC proceeds with the move to a competitive environment, if the prices of competing suppliers are as anticipated, and if the regulatory process does not provide for recovery of those costs that are in excess of what will otherwise be recoverable via market-based pricing structures, SDG&E would have to write off a significant portion of the carrying amount of the generating facilities and the related regulatory assets. Additional information concerning the recovery of SONGS, which is included in the above amount, is provided in Note 2 of the notes to consolidated financial statements.

A CPUC decision setting forth policy conclusions is expected in the first half of 1995. SDG&E cannot predict the impact of the CPUC's final decision and the transition to a more competitive environment on SDG&E's financial condition and results of operations.

BIENNIAL RESOURCE PLAN UPDATE

On October 13 the CPUC voted 5-0 to delay its ruling on the California utilities' petitions regarding the BRPU Decision and to postpone the BRPU auction process for an indefinite period. The CPUC had previously issued a "Notice of Intention to Rule" to assure parties that the utilities' petitions would be addressed at a future, unspecified date.

ENERGY COST ADJUSTMENT CLAUSE

On October 17, 1994 SDG&E filed its 1995 Energy Cost Adjustment Clause application with the CPUC, requesting a decrease of $67 million in electric rates. The request reflects lower fuel and purchased power costs, and the amortization of previous overcollections from customers, including a refund of $15 million of unspent revenues for demand-side management programs, partially offset by the two-year amortization of the Bayside Cogeneration contract termination payment. A CPUC decision is expected in April 1995, with the resultant rates effective May 1, 1995. Under the

Performance-Based Ratemaking Generation and Dispatch and the Gas Procurement mechanisms, fuel and energy operations and expenses are not normally subject to CPUC reasonableness reviews; however, SDG&E's nuclear operations and gas storage operations remain subject to review. This proceeding will include a review of those operations for the period from August 1993 to July 1994. A CPUC decision is expected in August 1995.

On October 31, 1994 SDG&E filed reports with the CPUC on the results of the Generation and Dispatch and the Gas Procurement mechanisms for the year ended July 31, 1994. SDG&E's fuel and purchased power expenses fell below the benchmarks for these mechanisms by $35 million. SDG&E's ECAC application (see above) and its current Biennial Cost Allocation Proceeding application give 75 percent of these savings to customers through lower rates.

PERFORMANCE-BASED RATEMAKING - BASE RATES

On October 17, 1994, in conjunction with the ECAC application, SDG&E filed its 1995 Performance-Based Ratemaking Base Rate mechanism application with the CPUC, requesting a $40 million increase in electric rates and an $8 million increase in gas rates. The requested increase is based on the PBR mechanism's revenue requirement formula for operating and maintenance expenses, SONGS refueling costs, and capital-related costs (including depreciation). A CPUC decision is expected in December 1994, to be effective January 1, 1995. The combined ECAC and PBR applications would result in an overall decrease of $27 million in electric rates. SDG&E's gas rate request will be combined with prior rate requests that are being considered by the CPUC, including SDG&E's Biennial Cost Allocation Proceeding, to be effective January 1, 1995. The combined request would result in an overall decrease in gas rates of $14 million. These requests exclude SDG&E's 1995 Cost of Capital request discussed below.

1995 COST OF CAPITAL APPLICATION

On October 18, 1994 a CPUC Administrative Law Judge issued a preliminary decision on SDG&E's 1995 Cost of Capital application, recommending a return on equity of 11.65 percent for an overall rate of return of 9.57 percent and an increase in electric and gas rates of $21 million and $4 million, respectively. SDG&E is requesting a return on equity of 12.45 percent for an overall rate of return of 9.95 percent and a $44 million increase in electric and gas rates. SDG&E's 1994 authorized return on equity and rate of return are 10.85 percent and 9.03 percent, respectively. The ALJ recommended ROEs ranging from 11.30 percent to 11.70 percent for the six California investor-owned utilities. A CPUC decision is expected by year end with rates effective January 1, 1995.

LIQUIDITY AND CAPITAL RESOURCES:

Sources of cash for 1994 through 1998 are expected to consist of income from operations and issuances of stock and debt. Cash requirements for 1994 through 1998 include the construction program and retirements of long-term debt. SDG&E conducts a continuing review of its construction, investment and financing programs. They are revised in response to changes in competition, customer growth, inflation, customer rates, the cost of capital, and environmental and regulatory requirements.

SDG&E anticipates that it will continue to have short-term borrowings in 1994 due to construction expenditures' exceeding the amount of available funds generated internally. SDG&E does not expect to issue preferred stock or long-term debt in 1994.

SDG&E's employee savings and common stock investment plans permit SDG&E to issue common stock or to purchase it on the open market. Currently, SDG&E is purchasing the stock on the open market.

SDG&E maintains its utility capital structure to obtain long-term financing at the lowest possible rates. The following table lists key financial ratios for SDG&E's utility operations. The capital structure at December 31, 1993 is shown net of construction funds held by trustee:

	September 30, 1994 or the twelve months then ended	December 31, 1993 or the year then ended
Pretax interest coverage	5.0X	4.7X
Internal cash generation	81%	78%
Construction expenditures as a percent of capitalization	11.8%	12.0%
Capital structure:		
Common equity	47%	47%
Preferred stock	4%	4%
Debt and leases	49%	49%

Besides the effects of items discussed in the preceding pages, the changes in cash flows provided by operating activities for the nine months ended September 30, 1994 compared to the corresponding 1993 period were related to the changes in accounts payable and other current liabilities, and in balancing accounts. The change in accounts payable and other current liabilities was primarily due to lower accruals for construction activity and for employee compensation at September 30, 1994. The change in balancing accounts was primarily due to higher electric sales and lower-than-expected fuel and purchased power costs. Also for the above periods, the changes in cash flows related to financing activities were primarily due to the issuances of common stock and the refinancing of high-cost debt and preferred stock in 1993. The change in cash flows related to investing activities was primarily due to leasing investments occurring in 1993 and the withdrawal of the remaining balance in the construction trust fund in 1994.

Construction expenditures were $354 million in 1993 and are expected to be approximately $275 million in 1994. The level of expenditures in the next few years will depend heavily on the CPUC's proposed industry restructuring (as described in "Regulatory Matters" above), the timing of expenditures to comply with air emission reduction and other environmental requirements, and SDG&E's proposal to transport natural gas to Mexico. (Additional information concerning SDG&E's proposal to transport gas to Mexico is provided in SDG&E's 1993 Annual on Form 10-K.)

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no significant subsequent developments in the Century Power, American Trails, Public Service Company of New Mexico, North City West or MTDB proceedings. Background information concerning these and the following proceedings is contained in SDG&E's 1993 Annual Report on Form 10-K and in its March 31, 1994 and June 30, 1994 Quarterly Reports on Form 10-Q.

Canadian Natural Gas Litigation:

Bow Valley Energy, Inc. and Summit Resources Ltd. gave SDG&E notice that their natural gas supply contracts with SDG&E were terminated pursuant to provisions in the contracts purportedly giving them the right to do so. SDG&E has responded that the notices were inappropriate and that it may seek both contract and tort damages. SDG&E cannot predict the ultimate outcome of these proceedings.

McCartin/Covalt Litigation:

McCartin:

On August 19, 1994 the plaintiffs filed a notice of appeal of the trial court's decision. SDG&E cannot predict the ultimate outcome of this proceeding.

Covalt:

On August 17, 1994 the California Court of Appeals agreed to rule on SDG&E's petition to review the ruling of an Orange County Superior Court judge who recently denied SDG&E's motion to dismiss the Covalt complaint. Oral arguments are scheduled for November 16, 1994. SDG&E cannot predict the ultimate outcome of this proceeding.

Transphase Systems Litigation:

On September 1, 1994 Transphase filed a petition with the United States Supreme Court to have the Court review the dismissal of its case by the lower courts. On September 30, 1994 SDG&E filed its opposition to the petition. SDG&E cannot predict the ultimate outcome of this proceeding.

James Litigation:

On August 11, 1994 defendants Southern California Edison, San Diego Gas & Electric Company and Combustion Engineering filed a motion to dismiss plaintiffs' complaint. Oral argument on defendants' motion is set for December 12, 1994. Trial is currently scheduled to begin on May 31, 1995. SDG&E cannot predict the ultimate outcome of this proceeding.

Yuma Cogeneration Litigation:

On September 28, 1994 SDG&E and the defendants Yuma Cogeneration Associates, California Energy Yuma Corporation, California Energy Development Corporation and California Energy Company, Inc. agreed to dismiss SDG&E's complaint with prejudice. SDG&E's complaint was dismissed by the court on September 28, 1994.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 12 - Computation of ratios

12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends 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 Schedules for the nine months ended September 30, 1994.

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed on September 8, 1994 announcing that SDG&E had reached an understanding with the California Public Utilities Commission's Division of Ratepayer Advocates to negotiate a settlement on the recovery of costs associated with the San Onofre Nuclear Generating Station.

A Current Report on Form 8-K was filed on October 26, 1994 announcing the appointments of Thomas C. Stickel and William D. Jones to SDG&E's Board of Directors.

SIGNATURE

Pursuant to the requirements 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.

SAN DIEGO GAS & ELECTRIC COMPANY
(Registrant)

November 2, 1994	By /s/ F. H. Ault
Date	(Signature)

F. H. Ault
Vice President and Controller

EXHIBIT 12.1

SAN DIEGO GAS & ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	1989	1990	1991	1992	1993	(Unaudited) Nine Months Ended 9/30/94
Fixed Charges:						
Interest:						
Long-Term Debt	$ 87,962	$ 97,894	$ 98,802	$100,776	$93,402	$ 69,038
Short-Term Debt	13,984	12,301	8,234	6,242	7,980	6,995
Amortization of Debt Discount and Expense, Less Premium	2,420	2,465	2,471	2,881	4,162	3,431
Interest Portion of Annual Rentals	23,664	20,898	18,067	14,677	19,206	16,688
Total Fixed Charges	128,030	133,558	127,574	124,576	124,750	96,152
Preferred Dividends Requirements	11,202	10,863	10,535	9,600	8,565	5,747
Ratio of Income Before Tax to Net Income	1.79480	1.75499	1.63017	1.72369	1.67794	2.26852
Preferred Dividends for Purpose of Ratio	20,105	19,064	17,174	16,547	14,372	13,037
Total Fixed Charges and Preferred Dividends for Purpose of Ratio	$148,135	$152,622	$144,748	$141,123	$139,122	$109,189
Earnings:						
Net Income (before preferred dividend requirements)	$179,434	$207,841	$208,060	$210,657	$218,715	$ 86,366
Add:						
Fixed Charges (from above)	128,030	133,558	127,574	124,576	124,750	96,152
Less: Fixed Charges Capitalized	3,481	3,306	2,907	2,242	5,789	5,051
Taxes on Income	142,614	156,917	131,114	152,451	148,275	109,557
Total Earnings for Purpose of Ratio	$446,597	$495,010	$463,841	$485,442	$485,951	$287,024
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends	3.01	3.24	3.20	3.44	3.49	2.63

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DEC-31-1994
SEP-30-1994
PER-BOOK
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460,473
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25,000
93,493
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39,800
117,548
0
198,974
0
101,481
8,267
1,413,179
4,579,833
1,458,884
119,410
1,116,491
1,235,901
222,983
(59,733)
163,250
76,884
86,366
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80,619
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441,853
0.69
0.69