SDO C

PROSPECTUS

325,000 Shares

SAN DIEGO GAS & ELECTRIC COMPANY

CUMULATIVE PREFERRED STOCK

4.40% Series, $20 par value

Transfer Agent

THE FIRST NATIONAL TRUST AND SAVINGS
BANK OF SAN DIEGO
San Diego

Registrar

BANK OF AMERICA, N. T. & S. A.
San Diego

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

	Price to Public(1)	Underwriting Discounts and Commissions(2)	Proceeds to Company(1)(3)
Per Unit	$21.00	$0.60	$20.40
Total	$6,825,000	$195,000	$6,630,000

1. Plus accrued dividends from January 1, 1951.
2. The Underwriting Agreement described herein contains reciprocal covenants of indemnity against liability in certain instances.
3. Before deducting expenses payable by the Company estimated at $31,565.

Among the Underwriters Named Herein Is:

BLYTH & CO., INC.

No person has been authorized by the Company to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained in this Prospectus, and information or representation not herein contained, if given or made, must not be relied upon as having been authorized by the Company or by the Underwriters. This Prospectus does not constitute an offer by any person in any state to any person to whom it is unlawful to make such offer.

The date of issue of this Prospectus is January 16, 1951

REGISTRATION STATEMENT

San Diego Gas & Electric Company (hereinafter sometimes called the "Company") has filed with the Securities and Exchange Commission a registration statement, Form S-1, of which this prospectus is a part, under the Securities Act of 1933, as amended, with respect to the 325,000 shares of Cumulative Preferred Stock, 4.40% Series, $20 par value, of the Company offered hereby (hereinafter sometimes called the "new Preferred stock"). The registration statement (including all parts thereof, such as the prospectus, financial statements and exhibits) in the form in which it becomes effective, is herein called the "Registration Statement," and the prospectus included in the Registration Statement, when separately referred to herein, is called the "Prospectus." This Prospectus omits certain information contained in the Registration Statement on file with the Securities and Exchange Commission. The information omitted may be obtained from the Commission's principal office at Washington, D.C., upon payment of the fee prescribed by the rules and regulations of the Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NEW PREFERRED STOCK AND/OR THE PRESENTLY OUTSTANDING CUMULATIVE PREFERRED STOCK, 5% SERIES AND/OR 4½% SERIES, AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TRADING ACTIVITY IN OUTSTANDING ISSUES OF PREFERRED STOCK

Some of the Underwriters, acting severally in the normal course of business, consistently have traded in the over-the-counter market in the outstanding Cumulative Preferred Stock, 5% Series and 4½% Series, of the Company. On January 5, 1951, Blyth & Co., Inc. on its own behalf discontinued such trading and requested that the other Underwriters do likewise. At the close of business on January 4, 1951, the lowest reported bid price of the 5% Series was $22.75 and the highest reported asked price was $23.50. The lowest reported bid price, on the same date, of the 4½% Series was $21.00 and the highest reported asked price was $22.375. From January 5 to January 12 Blyth & Co., Inc. posted no bid or asked price for either the 5% Series or the 4½% Series.

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325,000 Shares

SAN DIEGO GAS & ELECTRIC COMPANY

Cumulative Preferred Stock

4.40% Series, $20 par value

APPLICATION OF PROCEEDS

The net proceeds from the sale of the 325,000 shares of new Preferred Stock of the Company will be used by the Company, after deducting expenses incident to the issue and sale thereof, for the following purposes: (a) to retire $4,000,000 principal amount of the Company's bank-loan notes issued under the hereinafter described Credit Agreement, the proceeds from the bank-loan notes so to be retired having been used to finance in part the construction program hereinafter referred to under the caption "Construction Program"; and (b) to reimburse the Company for certain expenditures made for the acquisition of property or for the construction, completion, extension or improvement of its facilities. Such amount so reimbursed will become a part of the treasury funds of the Company. The Company also intends to use an amount at least equal to the amount of the above reimbursement to finance in part said Construction Program.

Additional funds for the construction program will be obtained from: (i) treasury funds on hand; (ii) internal sources (principally provisions for depreciation, estimated at approximately $3,070,000 for 1951, and unappropriated earnings); (iii) the sale of additional securities when and as required, the nature and amount of which are not now determined; and (iv), borrowings under the Credit Agreement described below.

Credit Agreement

Under date of December 5, 1949, the Company entered into a Credit Agreement with six California banks (The Anglo California National Bank of San Francisco, Bank of America National Trust and Savings Association, The Bank of California, National Association, The First National Trust and Savings Bank of San Diego, San Diego Trust & Savings Bank, and Security Trust & Savings Bank of San Diego) whereby the Company has the right to borrow, repay and then borrow again from time to time until December 31, 1951, up to $8,000,000 at any one time outstanding to be advanced in amounts of $800,000 or multiples thereof upon five days written notice against the issuance by the Company of promissory notes having such maturities not later than December 31, 1951 as may be designated by the Company. The $4,000,000 presently owing under the Credit Agreement was borrowed: $800,000 on October 2, 1950, $1,600,000 on December 1, 1950, $800,000 on December 22, 1950 and $800,000 on January 12, 1951, all of which the Company proposes to repay out of the proceeds of the sale of the new Preferred Stock. An extension of the Credit Agreement permitting borrowings and maturities to December 31, 1953, has been agreed to by the banks and is now being placed in writing.

SUMMARY OF EARNINGS

The following summary of earnings of the Company for the five years ended December 31, 1949 and the twelve months ended October 31, 1950 has been reviewed by Messrs. Haskins & Sells, independent public accountants, whose certificate with respect thereto appears elsewhere in this Prospectus. The summary should be read in conjunction with its footnotes and the statement of income and related notes appearing elsewhere in this Prospectus.

	Year Ended December 31					Twelve Months Ended October
	1945	1946	1947	1948	1949	31, 1950
Operating Revenues:						
Electric department	$11,786,508	$12,247,539	$13,648,079	$14,861,105	$15,773,042	$15,990,019
Gas department	5,588,897	5,771,726	5,979,983	6,973,220	7,518,979	8,265,366
Steam department	88,076	94,057	90,412	95,847	95,016	85,632
Total operating revenues	$17,463,481	$18,113,322	$19,718,474	$21,930,172	$23,387,037	$24,341,017
Operating Expenses:						
Operation (Note 1)	$ 6,968,809	$ 7,803,124	$10,048,550	$11,737,343	$11,820,308	$10,222,701
Maintenance and repairs	938,111	978,034	1,173,655	1,424,986	1,613,740	1,866,093
Depreciation (Note 2)	2,113,893	1,860,849	1,985,239	2,162,728	2,487,065	2,687,065
Amortization of limited-term investments	404	397	397	394	388	388
Provision for employees' retirement annuities (Note 3):						
For future-service annuities	149,776	176,500	243,794	277,052	318,689	328,814
For past-service annuities		320,000	3,526			
Taxes other than Federal income taxes	1,581,470	1,693,882	1,785,470	2,156,241	2,426,665	2,864,113
Total operating expenses	$11,752,463	$12,832,786	$15,240,631	$17,758,744	$18,666,855	$17,969,174
Net Operating Revenues	$ 5,711,018	$ 5,280,536	$ 4,477,843	$ 4,171,428	$ 4,720,182	$ 6,371,843
Other Income	5,740	14,787	990	13,642	15	441
Gross Income	$ 5,716,758	$ 5,295,323	$ 4,478,833	$ 4,185,070	$ 4,720,197	$ 6,372,284
Income Deductions:						
Interest on funded debt	$ 540,000	$ 540,000	$ 540,000	$ 776,667	$ 840,000	$ 840,000
Interest on miscellaneous long-term debt			38,751	79,594	1,841	46,986
Amortization of debt discount and expense, and premium	56,149	56,149	11,980	2,181	1,991	1,991
Other interest	37,404	15,947	11,563	8,537	11,723	9,741
Interest charged to construction (*credit)	* 7,721	* 16,219	* 79,351	* 80,457	* 190,324	* 259,728
Miscellaneous	38,375	57,063	33,985	36,211	36,088	81,510
Total income deductions	$ 664,207	$ 652,940	$ 556,928	$ 822,733	$ 701,319	$ 720,500
Net Income Before Federal Taxes on Income and Special Charges	$ 5,052,551	$ 4,642,383	$ 3,921,905	$ 3,362,337	$ 4,018,878	$ 5,651,784
Provision for Federal Taxes on Income (Note 4)	3,545,000	1,843,000	1,420,000	1,091,000	1,313,000	2,065,000
Net Income Before Special Charges	$ 1,507,551	$ 2,799,383	$ 2,501,905	$ 2,271,337	$ 2,705,878	$ 3,586,784
Special Charges (See Note 3 to Financial Statements for explanation):						
Accelerated amortization of debt discount and expense		$ 848,000	$ 312,758			
Amortization of plant acquisition adjustments		424,000	565,000	$ 300,414		
Total special charges		$ 1,272,000	$ 877,758	$ 300,414		
Net Income (forward)	$ 1,507,551	$ 1,527,383	$ 1,624,147	$ 1,970,923	$ 2,705,878	$ 3,586,784

SUMMARY OF EARNINGS (Continued)

SUMMARY OF EARNINGS (Continued)

	Year Ended December 31 1945	1946	1947	1948	1949	Twelve Months Ended October 31, 1950
Net Income (Note 1) (forward)	$ 1,507,551	$ 1,527,383	$ 1,624,147	$ 1,970,923	$ 2,705,878	$ 3,586,784
Dividends on Preferred Stock (Note 5)	375,000	375,000	375,000	375,000	561,750	645,000
Balance of Net Income After Preferred Dividends	$ 1,132,551	$ 1,152,383	$ 1,249,147	$ 1,595,923	$ 2,144,128	$ 2,941,784
Shares of capital stock outstanding at end of each year were as follows:						
Cumulative preferred, 5% series (par $20)	375,000	375,000	375,000	375,000	375,000	375,000
Cumulative preferred, 4½% series (par $20)					300,000	300,000
Common (par $10)	1,250,000	1,250,000	1,550,000	1,900,000	1,900,000	2,400,000

Notes to Summary of Earnings:

1. The "operation" expenses for the twelve months ended October 31, 1950 were substantially less than those for the year ended December 31, 1949, principally because of (a) a deficiency during January and February 1949 (the coldest period in the Company's history) in the supply of natural gas then obtainable from Southern Counties Gas Company of California through a single gas transmission pipe line, which necessitated the manufacture by the Company of a large quantity of gas at an abnormally high cost which was sold at a loss; (b) the use in the production of electric power, commencing in the fall of 1949 upon completion of the new Moreno pipe line, of a much greater proportion of natural gas, as compared with fuel oil, which resulted in a substantial reduction in production cost (see Note 8 to financial statements, shown elsewhere in this Prospectus); and (c) a reduction in the average prices of natural gas and fuel oil in 1950 as compared with those of 1949 (for information with respect to recent changes in the prices of gas and fuel oil, see captions "Sources of Electric Energy" and "Sources of Gas," shown elsewhere in this Prospectus). The improvement in net income in the twelve months ended October 31, 1950, as compared with the year ended December 31, 1949, was principally the result of reductions in "operation" expenses in the former period (explained in the preceding sentence); an increase in the number of electric and gas customers; and the increase in gas rates of the Company which became effective May 15, 1950 (see Note 6 below).
2. Depreciation in 1945 includes $133,699 for amortization of emergency facilities.
3. Provision in 1946 for employees' past-service retirement annuities aggregated $424,381 and was made in contemplation of increasing the benefits under employees' past-service retirement annuities. Of the amount of $424,381, $320,000 was charged to income in 1946 and the remainder, $104,381, to earned surplus, the latter amount being equal to the amount transferred to earned surplus from employees' provident reserve in 1945. An adjustment ($3,526) of the 1946 provision was applied against 1947 income. For particulars with respect to the Company's pension plan, see comments under the caption "Employees' Retirement Plan" appearing elsewhere in this Prospectus.
4. Provision for Federal taxes on income in 1945 includes $2,793,000 for excess profits tax. Provisions for Federal income taxes for the period from January 1 to October 31, 1950 has been made on the basis of the Revenue Act of 1950; no provision has been made for excess profits taxes in that period as the Company's excess profits credit computed under the Excess Profits Tax Act of 1950 (effective July 1, 1950) exceeds its excess profits net income.
5. Upon sale of the new Preferred Stock offered hereby, the annual dividend requirements of the Cumulative Preferred Stock of the Company will be increased by $286,000.
6. As stated under the caption "Employee Relations," employees of the Company were granted increases in wages and salaries effective August 20, 1950 and January 1, 1951. The Company estimates that the increase of August 20, 1950 resulted in a monthly increase in operating expenses of approximately $19,000 and that the increase of January 1, 1951 will result in a monthly increase in operating expenses of approximately $7,000; on an annual basis these increases amount to $312,000.

   Under the contract between the Company and its supplier, the cost of fuel oil to the Company fluctuates with the market price, which has recently increased substantially. Based on the current market price and on estimated oil requirements for 1951, such increased price is expected to result in an additional cost of approximately $465,000 in 1951. It is estimated by the Company that this increase will to a considerable extent be offset by a decrease in the price of natural gas used in electric power production. (For additional information, see captions "Sources of Electric Energy" and "Sources of Gas").

   Reference is made to the caption "Rates" for particulars concerning new gas rate schedules of the Company which became effective May 15, 1950 and which are expected to produce additional gross revenues of approximately $292,000 from that date to December 31, 1950, and approximately $540,000 on an annual basis.

   The estimated increases in operating expenses and gross revenues, referred to in the three preceding paragraphs, are stated before giving effect to income taxes.

FUNDED DEBT, CAPITALIZATION AND SURPLUS

The funded debt, capitalization and surplus of the Company as of October 31, 1950, and as adjusted to give effect to the issuance of the new Preferred Stock offered hereby, are as follows:

Title	Amount Authorized or to be Authorized	Outstanding October 31, 1950: Number of Shares	Outstanding October 31, 1950: Principal Amount or Par Value	Amount to be Outstanding if All Securities Being Registered are Sold by the Company (3): Number of Shares	Amount to be Outstanding if All Securities Being Registered are Sold by the Company (3): Principal Amount or Par Value (3)
Funded Debt:					
First Mortgage Bonds,	Not limited (1)				
3⅛% Series, due July 1, 1970	$16,000,000		$16,000,000		$16,000,000
Series C due 1978 (3%)	10,000,000		10,000,000		10,000,000
Promissory Notes (2)	8,000,000		800,000		None
Total Long-Term Debt			$26,800,000		$26,000,000
Capital Stock:					
Cumulative Preferred Stock, 5% Series, $20 par value	375,000 shares	375,000	$ 7,500,000	375,000	$ 7,500,000
Cumulative Preferred Stock, 4½% Series, $20 par value	300,000 shares	300,000	6,000,000	300,000	6,000,000
Cumulative Preferred Stock, 4.40% Series, $20 par value	325,000 shares	None	None	325,000	6,500,000
Cumulative Preferred Stock (Serial designation and dividend rate undetermined), $20 par value	1,000,000 shares	None	None	None	None
Common Stock, $10 par value	6,000,000 shares	2,400,000	24,000,000	2,400,000	24,000,000
Premiums			4,117,813		4,117,813 (4)
Earned Surplus			4,643,668		4,643,668
Total					
Capital and Surplus			$46,261,481		$52,761,481
Funded Debt, Capital and Surplus			$73,061,481		$78,761,481

NOTES:

(1) Additional bonds may be issued under the Mortgage and Deed of Trust only in compliance with the provisions thereof.

(2) Issued and issuable at any time on or before December 31, 1951, pursuant to the terms of a Credit Agreement with six California banks and due on or before December 31, 1951, at such dates as may be designated by the Company. The notes, when issued, bear interest at not less than 2%, nor more than 2⅜% per annum, as determined by a formula prescribed by the Credit Agreement. For the amount presently outstanding, see the sub-caption "Credit Agreement." An extension of the Credit Agreement permitting borrowings and maturities to December 31, 1953, has been agreed to by the banks and is being placed in writing; under the extension, the formula will provide for interest at not less than 2⅜% nor more than 2¾% in 1952 and not less than 2½% nor more than 2⅞% in 1953.

(3) Upon completion of the sale of the 325,000 shares of new Preferred Stock (and, for the purposes of the calculation, assuming the Company will receive no premium for the new Preferred Stock and will have retired all promissory notes outstanding under the Credit Agreement), the funded debt and capitalization of the Company will consist of approximately 33.01% funded debt, 25.39% preferred stock and 41.60% common stock and surplus (surplus is computed as of October 31, 1950).

(4) Assuming no premium on the new Preferred Stock.

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HISTORY AND BUSINESS

The Company was incorporated under the laws of the State of California on April 6, 1905. Its principal offices are in the Electric Building, 861 Sixth Avenue, San Diego 12, California. The Company is an operating public utility engaged in the business of generating, purchasing, transmitting, distributing, and selling electric energy to domestic, commercial, industrial, agricultural, governmental, and utility customers in San Diego County and in a portion of the southern part of Orange County, California; and of purchasing natural gas at wholesale and distributing and selling gas at retail to domestic, commercial, industrial, and governmental customers in the City of San Diego and other communities in western San Diego County. The Company has been engaged in the electric and gas business since 1905; and in the steam-heating business in a limited area in the City of San Diego since 1920.

During the twelve months ended October 31, 1950, approximately 65.7% of the gross operating revenue of the Company was derived from the sale of electricity, 33.9% from the sale of gas, and .4% from the sale of steam. During this period approximately 55.4% of the total electric, 72.1% of the total gas, and all of the steam operating revenues were derived from sales within the corporate limits of the City of San Diego.

All the properties of the Company are located in the State of California and the Company does not carry on any business outside of that state. The Company intends to continue the businesses mentioned above.

Territories Served:

Retail electric service is furnished to fifty-nine communities and adjacent rural territories having an estimated aggregate population (based upon the Federal Census for the year 1950) of approximately 535,000, all in the State of California and all but approximately 8,200 in San Diego County. Gas service is furnished at retail in twenty-three of these communities and in adjacent rural territories having an estimated aggregate population (based upon the Federal Census for the year 1950) of approximately 455,000.

The following is a list of the incorporated cities in San Diego County served by the Company together with their respective populations:

Name of City	Service Furnished	Population Federal Census 1920	1930	1940	1950*
San Diego	Electric, gas and steam	78,831	147,995	203,341	321,485
National City	Electric and gas	3,116	7,301	10,344	21,132
Coronado	Electric and gas	3,289	5,425	6,932	12,423
Chula Vista	Electric and gas	1,718	3,869	5,138	15,844
Oceanside	Electric and gas	1,161	3,508	4,651	12,880
Escondido	Electric and gas	1,789	3,421	4,560	6,608
La Mesa	Electric and gas	1,004	2,513	3,925	10,908
El Cajon	Electric and gas		1,050	1,471	5,418
	Totals	90,908	175,082	240,362	406,698

* Preliminary figures.

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The Company sells electric energy at wholesale to M. P. Barbachano and Cia. Electrica Fronteriza, S.A. (formerly Border Telephone & Light Company) at Tecate and San Ysidro, San Diego County, California, for re-sale in Lower California, Mexico; to the California Electric Power Company in San Diego County, near Rainbow; and to the Mountain Empire Electric Cooperative, Incorporated, at Laguna Junction, San Diego County.

Growth in Recent Years:

The expanding population in the territory served has resulted in a rapid growth in the Company's electric and gas services, as is illustrated in the following tables:

Customers

Date	Electric	Gas	Steam	Total
December 31, 1938	90,738	70,505	97	161,340
December 31, 1947	151,421	116,813	99	268,333
December 31, 1948	162,566	124,623	94	287,283
December 31, 1949	171,010	130,930	94	302,034
October 31,1950	180,276	137,546	90	317,912

Sales

	Electricity (Kilowatt Hours)	Gas (Thousand Cubic Feet)
1938	209,165,570	2,492,654
1944	678,091,676	6,558,042
1948	820,387,349	8,433,077
1949	861,169,688	9,034,648
1950*	876,638,973	9,615,324

The following table, showing the approximate average annual use per residential customer of electricity and gas, illustrates that the increased output in the Company's services is attributable to increased demand per customer as well as to population increases:

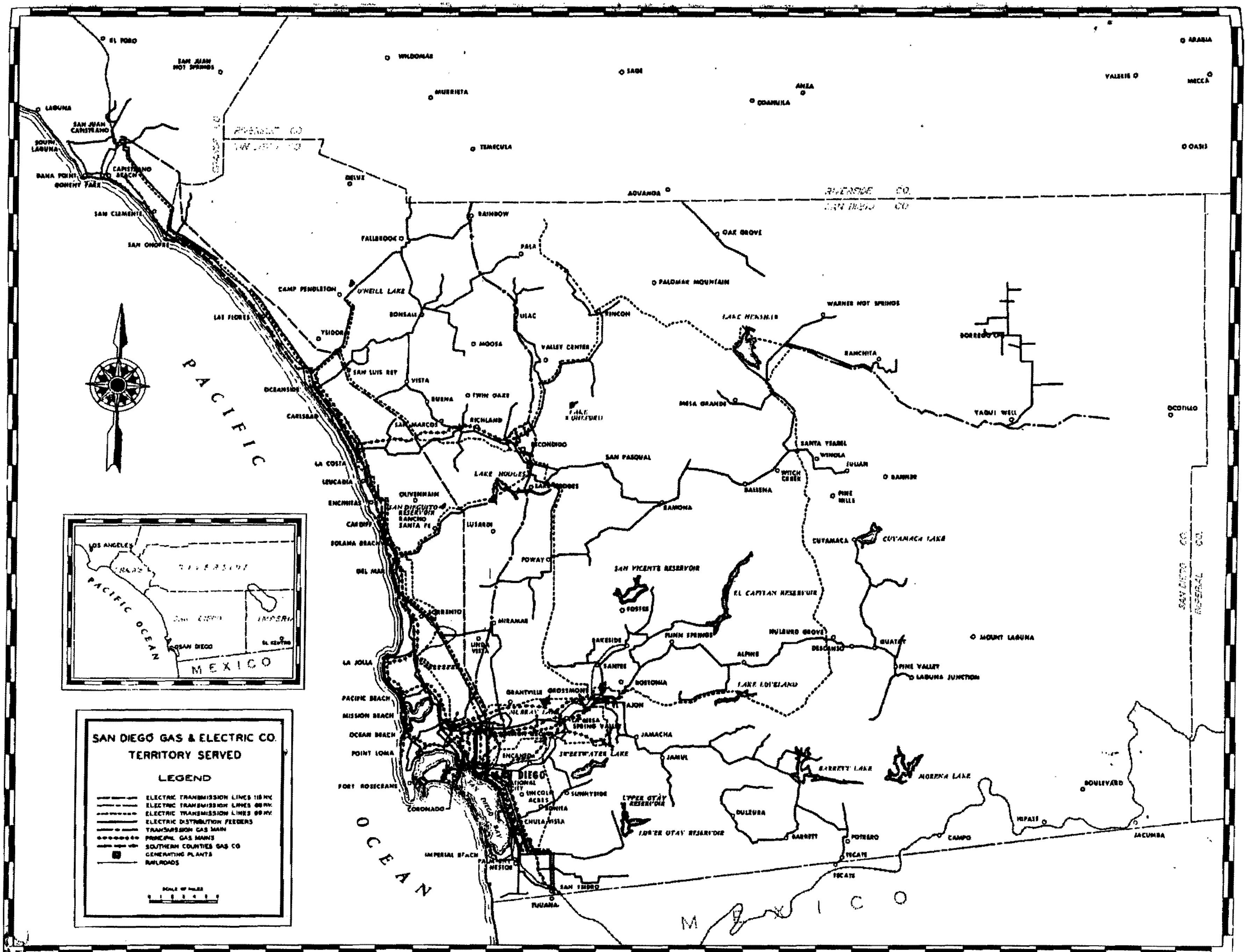
	1938	1940	1942	1944	1946	1948	1949	1950*
Kilowatt Hours of electricity	897	994	1074	1247	1445	1651	1867	1871
Thousand cubic feet of gas	25.0	25.8	33.7	39.7	43.1	48.7	50.1	49.4

For further information on the foregoing, see the caption "Operating Statistics."

During the same periods, the trend of residential rates is indicated in the following table which sets forth the average revenue per unit for residential service:

	1938	1940	1942	1944	1946	1948	1949	1950*
Cents per Kilowatt Hour of electricity	3.57	3.26	3.00	2.83	2.70	2.55	2.44	2.44
Dollars per Thousand cubic feet of gas	1.54	1.44	1.20	1.09	1.03	0.98	0.98	1.04

* 12 months ended October 31, 1950.



SAN DIEGO GAS & ELECTRIC CO.
TERRITORY SERVED
LEGEND
ELECTRIC TRANSMISSION LINES
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ELECTRIC DISTRIBUTION FEEDERS
PRINCIPAL GAS MAINS
SOUTHERN COUNTIES GAS CO
GENERATING PLANTS
RAILROADS
PACIFIC
OCEAN
MEXICO
RIVERSIDE CO.
SAN DIEGO CO.
IMPERIAL CO.
LOS ANGELES
RIVERSIDE
SAN DIEGO
PACIFIC OCEAN
EL TORO
LAGUNA
SAN JUAN CAPISTRANO
SAN JUAN HOT SPRINGS
SOUTH LAGUNA
DANA POINT
CAPISTRANO BEACH
SAN CLEMENTE
SAN ONOFRE
WILDOMAR
MURRIETA
TEMECULA
SAGE
ANZA
AGUANGA
OAK GROVE
RAINBOW
FALLBROOK
PALA
PALOMAR MOUNTAIN
CAMP PENDLETON
LAS FLORES
YSIDORA
BONSALL
O'NEILL LAKE
MOOSA
LILAC
VALLEY CENTER
RINCON
LAKE HENSHAW
WARNER HOT SPRINGS
RANCHITA
MESA GRANDE
OCEANSIDE
CARLSBAD
SAN LUIS REY
VISTA
BUENA
TWIN OAKS
SAN MARCOS
RICHLAND
ESCONDIDO
SAN PASQUAL
LAKE HODGES
LA COSTA
LEUCADIA
ENCINITAS
CARDIFF
SOLANA BEACH
DEL MAR
OLIVENHAIN
SAN DIEGUITO RESERVOIR
RANCHO SANTA FE
LUSARDI
POWAY
RAMONA
SANTA YSABEL
WYNOLA
JULIAN
BANNER
WITCH CREEK
BALLENA
PINE HILLS
CUYAMACA
CUYAMACA LAKE
SAN VICENTE RESERVOIR
EL CAPITAN RESERVOIR
FOSTER
MIRAMAR
SORRENTO
LINDA VISTA
LAKESIDE
FLINN SPRINGS
HARBISON GROVE
DESCANSO
GUATAY
MOUNT LAGUNA
PINE VALLEY
LAGUNA JUNCTION
ALPINE
SANTEE
BOSTONIA
LAKE LOVELAND
LA JOLLA
PACIFIC BEACH
MISSION BEACH
OCEAN BEACH
POINT LOMA
FORT ROSECRANS
CORONADO
GRANTVILLE
GROSSMONT
LA MESA
SPRING VALLEY
JAMACHA
JAMUL
SWEETWATER LAKE
SAN DIEGO
NATIONAL CITY
LINCOLN ACRES
SUNNYSIDE
BONITA
CHULA VISTA
UPPER OTAY RESERVOIR
LOWER OTAY RESERVOIR
DULZURA
BARRETT
BARRETT LAKE
MORENA LAKE
POTRERO
TECATE
CAMPO
BOULEVARD
JACUMBA
IMPERIAL BEACH
NESTOR
SAN YSIDRO
TIJUANA
YAQUI WELL
OCOTILLO
VALLERIE
MECCA
ARABIA
OASIS
COAHUILA

Sources of Electric Energy:

The maximum demand on the Company's electric system up to December 31, 1950, occurred on January 11, 1949, when the total demand was 257,000 kilowatts, including 3,500 kilowatts furnished Imperial Irrigation District (see below). The source of such energy was 226,000 kilowatts from the Company's steam-electric generating plants and 31,000 kilowatts from Southern California Edison Company. The total system requirements for the year ended October 31, 1950, were 986,237,750 kilowatt hours and the average daily sendout during the period was approximately 2,700,000 kilowatt hours. Of the total system requirements during the period, approximately 99.4% was generated in the Company's two steam-electric generating plants, and approximately 0.6% was purchased from others. The foregoing figures do not include approximately 270,000 kilowatt hours generated during the period in the Company's two steam-electric generating plants and sold to California Electric Power Company, or 16,600 kilowatt hours sold to the Imperial Irrigation District.

The Company owns and operates its two steam-electric generating plants known as Station B and Silver Gate Station, having a combined total rated generating capacity of 237,000 kilowatts.

The Company has started the installation of an additional steam-electric generating unit, with a rated generating capacity of 50,000 kilowatts, for operation in Silver Gate Station in the fall of 1952.

The Company's steam-electric generating plants are equipped for operation either by natural gas or fuel oil. For the year 1950 it is estimated that the demand for electric energy will have been met 35.2% by fuel oil generated power, 64% by natural gas generated power, and 0.8% by purchased power. The Company has a contract with the Union Oil Company of California under which the latter company is obligated to supply all the oil required by the Company up to 300,000 barrels per year during the years 1951 and 1952. Under the present contract, the cost of fuel oil to the Company fluctuates with the market price, which has recently increased substantially. The present cost to the Company, effective January 1, 1951, amounts to $1.80 per barrel. The cost of gas consumed in the Company's electric generating plants is 16.952 cents per thousand feet. (See Sources of Gas.)

Electric energy is also purchased from and interchanged under interchange agreements with Southern California Edison Company at San Juan Capistrano, Orange County; California Electric Power Company near Pala and near Oak Grove, San Diego County; Imperial Irrigation District at The Narrows, San Diego County; and Escondido Mutual Water Company at Rincon and at Escondido, San Diego County. This energy is received by the Company over facilities having a usable capacity of approximately 66,000 kilowatts. The principal interchange agreement is with Southern California Edison Company which provides, among other things, for supplying the Company with up to 37,000 kilowatts of firm energy. This agreement terminates August 22, 1951 and negotiations for its extension are in progress. None of the other interchange agreements provides firm energy.

Sources of Gas:

The maximum daily sendout of gas to firm customers up to December 31, 1950, amounting to 56,313,000 cubic feet, occurred on January 3, 1949. The average daily firm sendout for the year ended October 31, 1950 was approximately 26,800,000 cubic feet. January, 1949, was one of the coldest months in the history of the San Diego Weather Bureau.

The Company obtains its natural gas from Southern Counties Gas Company of California through two steel transmission pipelines. The older line, known as the Huntington Beach line, is owned by the seller and has a capacity of approximately 33,000,000 cubic feet per day. The new Moreno line, approximately 85 miles in length, was built in 1949 to bring gas to San Diego from the seller's Texas line near Moreno, California. Its capacity is approximately 40,000,000 cubic feet per day. All of the new line lying within San Diego County (approximately 50 miles) is owned by the Company, the balance being owned by the seller.

The Company has negotiated two separate contracts with Southern Counties Gas Company of California covering the purchase and delivery of natural gas over these lines.

The Moreno-Rainbow contract dated November 8, 1950, covers delivery of 40/73 of the Company's annual purchases for all uses. Rates under this contract cover deliveries beginning November 20, 1949. The allocation between pipelines, however, began October 1, 1950. This contract has been approved by the Federal Power Commission. The Huntington Beach contract dated November 8, 1950, became effective January 1, 1951, following approval of the Public Utilities Commission of the State of California. Allocation of 33/73 of deliveries will be made to this line on an annual basis, with the initial period for such allocation ending on September 30, 1951.

Both contracts continue in effect until November 20, 1959. The weighted average commodity charge for all gas purchased is 16.952 cents per thousand cubic feet under the two contracts. In addition to the commodity charges, the rates prescribe payment of annual facility and fixed charges. The incremental cost of gas consumed in the Company's electric generating plants will accordingly be 16.952 cents per thousand cubic feet, which represents a decrease of approximately 13% from the average cost of gas so consumed in the year 1950.

In the event of any deficiency in the supply of natural gas available to Southern Counties and its affiliate Southern California Gas Company to satisfy the demands of their firm customers and this Company's firm customers, the Company is entitled to share on the basis of firm parity (as defined in the contracts) in the natural gas supply of Southern Counties and its affiliate, Southern California Gas Company, deliverable to the "Los Angeles Market basin." The Company is advised that the Federal Power Commission asserts the right to allocate gas transmitted by interstate pipelines subject to its jurisdiction, to users regardless of existing contracts.

A propane-air gas plant for emergency standby service has been constructed at the terminus of the Moreno gas transmission line near San Diego. This plant has propane storage sufficient to produce the equivalent of 87,000,000 cubic feet of natural gas.

These sources are believed adequate to meet all firm gas requirements of the Company for some years to come.

Operating Statistics:

The development of sales and revenues and increase in customers of the electric and gas departments for the past five years are shown on the following table of operating statistics:

SAN DIEGO GAS & ELECTRIC COMPANY

OPERATING STATISTICS

Operating Revenues:	1945	1946	1947	1948	1949	12 Months Ending October 31, 1950
Electric:						
Residential	$ 4,106,457	$ 4,418,437	$ 4,837,002	$ 5,402,402	$ 6,208,180	$ 6,535,956
Commercial	3,188,313	3,487,004	4,021,728	4,726,158	5,152,568	4,850,094
Power—Other than Agricultural	3,323,775	3,056,958	3,070,580	2,995,304	2,816,307	3,135,450
Agricultural Power	394,720	462,076	574,603	638,664	695,353	736,664
Railroad Corporations	225,816	208,980	169,128	152,872	53,992	—
Other Electric Corporations	197,860	232,172	561,877	531,913	418,640	320,188
Municipal Street Lighting	222,067	235,178	244,884	260,006	281,482	296,714
Miscellaneous Municipal Sales	107,726	124,062	124,118	121,147	95,718	67,470
Miscellaneous Revenues	19,774	22,672	44,159	32,639	50,802	47,484
Total Electric	$11,786,508	$12,247,539	$13,648,079	$14,861,105	$15,773,042	$15,990,020
Gas:						
Residential	$ 4,179,139	$ 4,320,495	$ 4,472,083	$ 5,163,437	$ 5,616,347	$ 6,367,912
Commercial	1,281,672	1,311,454	1,387,196	1,570,659	1,477,627	1,611,196
Industrial	121,804	133,834	114,189	229,113	403,148	267,007
Miscellaneous Revenues	6,282	5,943	6,515	10,011	21,857	19,250
Total Gas	$ 5,588,897	$ 5,771,726	$ 5,979,983	$ 6,973,220	$ 7,518,979	$ 8,265,365
Steam	$ 88,076	$ 94,057	$ 90,412	$ 95,847	$ 95,016	$ 85,632
Total Operating Revenues	$17,463,481	$18,113,322	$19,718,474	$21,930,172	$23,387,037	$24,341,017
Number of Customers Served (at end of year):						
Electric:						
Residential	110,771	114,934	123,382	132,657	139,875	148,224
Commercial	17,396	19,783	21,228	22,689	23,624	24,343
Power—Other than Agricultural	3,466	3,829	4,017	4,085	4,096	4,119
Agricultural Power	2,103	2,293	2,628	2,954	3,220	3,377
Railroad Corporations	1	1	1	1	—	—
Other Electrical Corporations	9	9	9	9	8	9
Municipal Street Lighting	134	138	148	160	177	193
Miscellaneous Municipal	4	4	8	11	10	11
Total Electric Customers	133,884	140,991	151,421	162,566	171,010	180,276
Gas:						
Residential	96,546	99,209	104,815	111,758	117,402	127,804
Commercial	10,037	11,087	11,981	12,839	13,497	9,705
Industrial	25	19	17	26	31	37
Total Gas Customers	106,608	110,315	116,813	124,623	130,930	137,546
Steam:						
Total Steam Customers	100	101	99	94	94	90

SAN DIEGO GAS & ELECTRIC COMPANY

OPERATING STATISTICS

	1945	1946	1947	1948	1949	12 Months Ending October 31, 1950
Electric Energy Generated, Purchased and Sold (kilowatt hours):						
Generated (less station loss and use)	725,025,000	762,214,000	850,692,000	906,083,800	964,223,000	980,090,000
Purchased (from non-affiliated companies)	77,273,787	40,996,700	35,001,810	20,384,175	6,378,481	6,434,350
Total Generated and Purchased	802,298,787	803,210,700	885,693,810	926,467,975	970,601,481	986,524,350
Company Use	4,802,547	4,518,003	4,535,723	6,139,438	7,957,456	5,397,269
Lost and Unaccounted for	81,300,298	90,559,286	100,281,062	99,941,188	101,474,337	104,488,108
Balance (Total Energy Sold)	716,195,942	708,133,411	780,877,025	820,387,349	861,169,688	876,638,973
Electric Sales: (kilowatt hours):						
Residential	147,078,886	162,814,621	183,641,489	211,840,550	254,689,077	267,703,324
Commercial	166,398,033	167,251,763	194,955,989	243,552,491	264,521,654	227,571,191
Power—other than Agricultural	309,224,814	277,340,141	254,385,195	225,733,829	220,496,912	274,093,965
Agricultural Power	28,718,008	34,201,801	44,042,845	47,659,908	51,126,711	54,387,781
Railroad Corporations	25,945,000	21,539,100	14,117,000	10,999,000	3,851,000	—
Other Electrical Corporations	19,363,520	22,320,960	66,407,855	57,432,430	46,202,360	35,717,650
Municipal Street Lighting	8,621,075	9,484,726	10,138,445	10,405,425	11,145,857	11,844,082
Miscellaneous Municipal Sales	10,846,606	13,180,299	13,188,207	12,763,716	9,136,117	5,320,980
Total Sales	716,195,942	708,133,411	780,877,025	820,387,349	861,169,688	876,638,973
Gas Manufactured, Purchased and Sold (1000 cubic feet):						
Natural Gas Purchased (non-affiliated companies)	9,221,231	9,018,243	8,621,884	11,662,473	12,914,293	17,878,770
Manufactured	169,196	12,375	32,810	308,723	703,815	2,805
Net Increase in Gas Storage	1,312	2,778*	477*	2,600	10,004	7,637
Totals	9,389,115	9,033,396	8,655,171	11,968,596	13,608,104	17,873,938
Gas Used by Company in Steam Electric Generating Plant	2,350,220	1,747,675	1,224,420	2,827,473	3,948,795	7,888,750
Other Company Use	33,420	28,729	30,190	55,177	51,780	12,526
Lost and Unaccounted For	284,657	318,222	435,208	652,869	572,881	357,338
Balance (Total Gas Sold)	6,720,818	6,938,770	6,965,353	8,433,077	9,034,648	9,615,324
Gas Sales (1000 cubic feet):						
Residential	3,980,695	4,209,716	4,401,015	5,261,618	5,718,178	6,199,516
Commercial	2,091,724	2,078,332	2,214,093	2,533,074	2,654,331	2,486,022
Industrial	648,399	650,722	350,245	638,385	662,139	929,786
Total Sales	6,720,818	6,938,770	6,965,353	8,433,077	9,034,648	9,615,324
Sales of Steam for Heating (1000 pounds)	121,293	125,156	113,006	119,195	122,017	112,347

* Denotes Red Figure.

Employee Relations:

As of October 31, 1950, the Company had 2171 employees. These employees may be divided into three general classes: First, office and other clerical employees who are not represented by a union; secondly, mechanical employees who are members of Local Union 465 of San Diego of the International Brotherhood of Electrical Workers, affiliated with the American Federation of Labor; and thirdly, construction mechanics and laborers temporarily engaged in the installation of several substations and in work on Silver Gate Unit Number 4.

Negotiations recently completed under the existing contract between the Company and Local 465 resulted in wage increases of approximately 4% effective August 20, 1950, and of an additional 1¾% effective January 1, 1951. Vacation with pay was also extended to three weeks for employees completing fifteen years of service with the Company. The contract, with these changes, continues in effect until March 1, 1952, when the matter of wages and working conditions may be reopened, and otherwise automatically continues from year to year. Office and clerical employees were granted similar wage increases and vacation pay.

The construction mechanics and laborers, comprising the third class of employees, operate under the rules, regulations and wages of the Building Trades Council of the American Federation of Labor with which the Company has no labor contract.

Employees' Retirement Plan:

Effective as of January 1, 1941, the Company adopted a retirement and annuity plan, which was amended as of January 1, 1947, applicable equally to its salaried officers and all regular employees other than temporary, casual, and special employees. Salaried officers and regular employees who have attained age 25 and have completed one year of continuous service are eligible to join the plan provided they have not attained their 65th birthday. As of October 31, 1950 there were 5 officers and 1282 employees participating in the plan. Both the Company and participating members of the plan make payments with respect to future service, and in the year ended October 31, 1950 such payments by the members totaled $206,068 and by the Company $328,814. The members' contributions toward the purchase of annuities are based wholly on salary earned. The amount of the annuity payable to a member upon retirement is dependent upon his total contributions. The maximum annuity is limited to $500 per month. The Company, under the plan, agreed to make all payments with respect to past service and such payments were completed during 1947, having amounted to approximately $2,112,000. Of such amount approximately $1,312,000 was charged to earnings during the years 1941 to 1947 inclusive. Approximately $800,000 was charged to Employees' Provident Reserve, which reserve was established in 1940 out of earned surplus. The Company also makes payments to a number of employees not eligible to join the plan or retired before the plan went into effect. These payments presently amount to approximately $10,000 per year.

Insurance:

The Company is covered by insurance in the amounts, to the extent and against the types of risk, customary in corporations of its size and character.

Construction Program:

During the period in which the war prevented any substantial expansion of the Company's facilities, the population of the territories served by the Company increased rapidly, as indicated under the subcaption "Territories Served." Accordingly, after the war, the Company commenced an extensive program of expansion to overcome the resulting deficiency in its facilities. As the program has developed, postwar population increases have required its further expansion. In the period from December 31, 1945 to October 31, 1950, the Company made net additions to property, plant, and equipment amounting to $45,049,825, and during the same period it received $10,034,000 from the sale of Bonds, $5,912,000 from the sale of Preferred Stock, $14,928,094 from the sale of Common Stock, and on October 31, 1950 there were outstanding $800,000 in temporary bank loans (pending permanent financing), being a total of $31,674,094 from such financing.

The major individual units involved in the postwar construction program are: the two 50,000 kilowatt steam-electric generating units for the Company's Silver Gate Station, one completed in 1948, and one completed in 1950, thereby increasing the Company's total rated generating capacity from 137,000 kilowatts prior to 1948 to 237,000 kilowatts at the present time; and a second natural gas transmission line, completed in November 1949, which provides an increase in available natural gas supply from 33,000,000 cubic feet per day to 73,000,000 cubic feet per day.

The preliminary construction budget for 1951 calls for expenditures of approximately $10,400,000 with allocations approximated as follows:

Electric production	$3,146,000
Electric transmission	1,303,000
Electric distribution	3,373,000
Gas production and transmission	28,000
Gas distribution	1,653,000
Steam distribution	27,000
General plant	840,000

In view of the expected continuing growth of the territory served by the Company, the installation of an additional turbo-generator in Silver Gate Station has been commenced. It will have a rated capacity of 50,000 kilowatts, and is scheduled to be in operation the latter part of 1952, at an estimated cost of $8,000,000.

PROPERTY

As of October 31, 1950, the approximate weighted-dollar average ages of the principal classes of property of the Company were as follows: Steam-electric production, 10 years; electric transmission, 9½ years; electric distribution, 10½ years; general plant (electric), 11 years; gas production from liquid gas, 2 years; gas transmission, 1½ years; gas distribution, 14 years; steam distribution, 19½ years; common utility, exclusive of automotive equipment and major construction equipment, 16 years. The Company maintains all of its properties in good operating condition in accordance with usual practice among responsible operators in the industry.

The plants and important units of property owned by the Company and their general character and location are indicated below. Unless otherwise shown, the data on the various items of property set forth in this section are as of October 31, 1950.

Steam-Electric Generating Plants:

The Company owns two steam-electric generating stations, known as Station "B" and Silver Gate Station. Both plants are equipped to burn gas or fuel oil.

Station "B" is located at Broadway and Kettner Boulevard in the City of San Diego, and has a rated capacity of 102,000 kilowatts (and an actual capacity of approximately 112,000 kilowatts) in 6 turbo-generators as follows:

Rated Capacity of Units (Kilowatts)	Approximate Actual Capacity of Units (Kilowatts)	Year of Completion
6,000	5,000	1914
15,000	17,000	1922
15,000	17,000	1926
28,000	28,000	1928
35,000	43,000	1938
3,000 (house turbine)	2,000	1941

The Company expects to retire from service within the next year the 6000 kilowatt unit installed in 1914.

Silver Gate Station is located at the intersection of Sampson Street and the Atchison, Topeka and Santa Fe Railroad right of way in the City of San Diego, and has a rated capacity of 135,000 kilowatts (and an actual capacity of approximately 176,000 kilowatts), in three turbo-generators. The capacity of Silver Gate Station, including a fourth unit now being installed, is as follows:

Rated Capacity of Units (Kilowatts)	Approximate Actual Capacity of Units (Kilowatts)	Year of Completion
35,000	44,000	1943
50,000	66,000	1948
50,000	66,000	1950
50,000 (being installed)	66,000 (Estimated)	1952 (Fall)

At present the Company has a total rated generating capacity of 237,000 kilowatts and an actual capacity of approximately 288,000 kilowatts.

Other Electric Properties:

The Company owns facilities for interconnection with other electric companies, which facilities have a usable capacity of approximately 66,000 kilowatts of which 37,000 kilowatts are on a firm basis.

Electric transmission pole lines interconnecting power supply sources and major substations operate at voltages from 69,000 volts to 120,000 volts. These lines total approximately 450 miles in length.

Electric distribution pole lines serving distribution substations and customer transformers operate at voltages of 2,400 volts to 12,000 volts. These lines total approximately 3,450 miles of wood pole line and 136 miles of underground cable, the latter being installed in approximately 31 miles of multi-duct conduit.

Transformer capacity for the total electric system is 1,084,082 kilovolt-amperes, consisting of 643,974 kilovolt-amperes connected to the transmission system, 192,042 kilovolt-amperes installed in distribution substations and 248,066 kilovolt-amperes stepping down from distribution voltages for customer purposes.

Gas Properties:

The Company's gas transmission and distribution system consists of approximately 1391 miles of mains, appurtenant property and equipment which are utilized in serving natural gas to 23 communities in San Diego County. The natural gas used is purchased from the Southern Counties Gas Company of California.

Standby service is provided by a newly constructed propane-air gas plant located at the terminus of a natural gas transmission line, immediately north of the City of San Diego. This gas plant is capable of producing the equivalent of 1,500,000 cubic feet of natural gas per hour. Storage tanks adjoining the gas plant will accommodate 1,000,000 gallons of propane, sufficient for the manufacture of approximately 87,000,000 cubic feet of natural gas equivalent.

The Company owns four low-pressure gas storage holders having a total storage capacity of approximately 9,000,000 cubic feet, and two high-pressure holders having a total storage capacity of 384,000 cubic feet.

Steam Distribution Properties:

In the main business area of the City of San Diego, the Company owns a low pressure steam heating system, comprising approximately 2.7 miles of steam mains serving 90 customers, the steam for which is obtained from Station "B."

Common Properties:

The Company owns or leases the necessary branch offices, shops, garages, service buildings and storeyards, and owns the necessary transportation equipment, tools, testing equipment and other items used in the integrated operation of a public utility. In the business district of San Diego, it owns an eight story reinforced concrete office building, the major portion of which is occupied by the Company.

Ownership Qualification:

Whenever statements are made in this Prospectus with respect to the ownership of property or interests in property by the Company, such statements disregard the effect upon titles to property and interests in property of the outstanding Mortgage and Deed of Trust from the Company to The Bank of California, N.A., dated July 1, 1940, as supplemented, current tax and assessment liens, rights of way, easements, conditions, restrictions, reservations, licenses, leases and contracts, and certain other matters and minor defects in the record title to some of the properties of the Company, none of which in the opinion of counsel for the Company, seriously affects the Company's title to, or its right to use, such properties in the conduct of its business. The electric and gas transmission and distribution lines and the steam distribution lines of the Company with unimportant exceptions are located: (a) on or under highways or streets in respect of which the Company has constitutional and/or granted franchises; (b) on lands of the United States under permits, licenses or easements; and (c) on privately owned lands under rights of way and easements (see caption "Franchises and Concessions"). In the opinion of counsel for the Company, the Company is possessed of rights adequate to continue its operation upon any private land over which or under which its transmission or distribution lines extend, subject to minor defects in the record title to comparatively few of the easements or rights of way used by the Company, which defects are of slight importance.

The Company has held, for a number of years, certain leases to tidelands on San Diego Bay granted by the City of San Diego and to lands adjacent thereto granted by others on which are located water tunnels for use for cooling purposes at Station B and Silver Gate Station. The State of California purported to transfer title to the aforementioned tidelands to the City of San Diego, but the validity of the title and leases from the City has not been adjudicated, although they have been commonly taken, accepted and used. Their validity may likewise be clouded by a decision of the United States Supreme Court adjudging, among other things, that the United States possesses paramount rights over the lands underlying the Pacific Ocean lying seaward of the ordinary low water mark on the California coast outside inland waters.

FRANCHISES AND CONCESSIONS

The Company distributes gas and electricity under franchises acquired either through grant by the State of California (hereinafter called "constitutional franchises") or through grants by municipalities or counties (hereinafter called "granted franchises"). In addition the Company also distributes steam under granted franchises.

Constitutional Franchises

Constitutional franchises were acquired through the acceptance by the Company or its predecessors of the offer contained in Section 19 of Article XI of the Constitution of the State of California, until it was amended on October 10, 1911. This section in substance authorized the installation and maintenance of pipes and conduits for introducing into and supplying a city and its inhabitants "either with gas light or other illuminating light." In the opinion of counsel for the Company these franchises are perpetual and extend through the whole of the municipalities where acquired and do not require any annual or other payments to the municipalities. The Company operates under constitutional franchises for the transmission and distribution of gas and electricity in the cities of San Diego, Coronado, Escondido and National City, and of electricity in the City of Oceanside.

Granted Franchises

The granted franchises are in two categories, namely: municipal and county franchises. They have been granted to the Company or its predecessors under the provisions of the Broughton Act, California Statutes 1905, page 777, as amended, or recently under the Franchise Act of 1937, California Statutes 1937, page 1781, and in cases where the Company has constitutional franchises, they complement such franchises, while in cases where the Company has no constitutional franchise, they cover the use of streets and highways for transmission and distribution of gas and electricity for light, heat and power. The Broughton Act and the Franchise Act of 1937 each requires the payment to the grantor of the franchise, of 2% of the annual gross receipts derived from the use, operation or possession of the franchise and with respect to the Franchise Act of 1937 there are provisions for the payment of minimum amounts in certain cases. The Company holds granted franchises for the transmission and distribution of gas and electricity in the Cities of San Diego, Coronado, Oceanside, National City, Escondido, Chula Vista, La Mesa and El Cajon and for steam in small portions of the City of San Diego, and also granted franchises for the transmission and distribution of gas and electricity in San Diego County, and of electricity in certain portions of Orange County. All of the electric and gas franchises which are granted franchises expire between the years 1967 and 1986 except the electric franchise for light, heat and power in Escondido, which expires in 1959.

The franchise granted under the Broughton Act by Ordinance No. 8183 of the City of San Diego for the term expiring in 1970, for the transmission and distribution of gas and electricity for heat and power purposes, as originally granted contained the provision (among others) that, so long as the charter of said City required, the franchise would be subject to repeal, change or modification by the majority of the electors of said City. In 1931, by the adoption by the electors of said City of Peoples' Ordinance No. 13392-B, the City purported to amend said franchise so as to provide, among other things, for the retention throughout the life thereof of the right of a majority of the electors of said City voting at any election at any time thereafter to repeal, change or modify the same. The validity of Peoples' Ordinance No. 13392-B has not been adjudicated and the Company has disputed the power of said City to repeal, change or modify said franchise.

The Company is advised by its counsel that there are defects in connection with some of the franchises granted by the smaller cities and the franchises for steam granted by the City of San Diego, but both the Company and the grantors have been and are observing and conforming to the provisions thereof, and in the opinion of said counsel the use by the Company of its property in connection with said franchises is not materially impaired or endangered by reason of such defects or irregularities relating to its granted franchises.

Certificates of Public Convenience and Necessity

The Public Utilities Act of California, which became effective March 23, 1912, requires the obtaining under the circumstances and conditions therein specified of certain so-called certificates of public convenience and necessity from the Public Utilities Commission of the State of California before beginning the construction of any line, plant or system or the extension thereof, or the exercise of rights under franchises. The Company has applied for and secured from the Public Utilities Commission of the State of California certificates of public convenience and necessity in such instances where it has deemed the same to be necessary for the operation of its properties and systems.

Federal Permits, Licenses and Easements

The Company is the holder of various permits, licenses and easements granted by different Departments of the United States, most of which are revocable at the option of the grantor and in some instances call for small annual payments. Such permits, licenses and easements permit the use by the Company of public lands for gas and electric distribution and transmission facilities consisting principally of gas mains and electric power lines or cables. The Company also holds permits from the Federal Power Commission and from the President of the United States authorizing it to sell electric energy at wholesale for transmission by the purchaser into Mexico for distribution in that country. See also under the caption "Regulation."

The various permits, licenses and easements above mentioned are deemed adequate by counsel for the Company for the purposes intended.

REGULATION

Since March, 1912, the Company has been subject to regulation by the Public Utilities Commission of the State of California, under the Public Utilities Act of California and the California Constitution. The right of the Legislature to confer powers upon the Commission respecting public utilities is plenary, and unlimited by any provisions of the Constitution. Under the Act the Commission has and exercises wide powers over public utilities, including the power to establish rates and conditions of service, to regulate security issues, and to prescribe uniform systems of accounts.

In 1939, the Federal Power Commission issued an order to show cause why, among other things, the Company had failed to comply with the Federal Power Commission's uniform system of accounts for electric companies. The Company replied, denying the jurisdiction of said Commission and no further proceedings have been taken or held except that in 1945, in response to an inquiry of said Commission, the Company replied that it continued to adhere to the position previously taken.

In 1949, in its findings and order granting a Certificate of Public Convenience and Necessity authorizing the Company to construct and operate its new gas pipeline from Rainbow, San Diego County, to San Diego, the Federal Power Commission entered a finding that the Company was a natural gas company under the Natural Gas Act, and early in 1950 the Company received from the Secretary of the said Commission a letter inquiring of the Company what plans it had to comply with the said Commission's requirements that it file reclassification and original cost studies of its gas plants in accordance with said Commission's uniform system of accounts. The Company's reply to this inquiry pointed out that its application for the Certificate of Public Convenience and Necessity expressly disclaimed any admission that the Company was a natural gas company, that the Company's gas business was entirely intrastate in character and that since its rates and services to consumers were subject exclusively to the jurisdiction of the Public Utilities Commission of the State of California with whose uniform system of accounts it is required to and does comply, compliance with the Federal Power Commission's uniform system of accounts would involve an unnecessary and expensive duplication of accounts and serve no useful purpose. The Company's reply further observed that the Company has submitted for filing with the California Commission schedules covering service from the new line and that the line is actually used for distribution. The Company has heard nothing further from the said Commission. The Company's position is that it is not a "natural gas company" under the Natural Gas Act. However, in view of the decision of the United States Supreme Court in Federal Power Commission v. East Ohio Gas Co. et al (338 U S 464) there is doubt about the matter.

RATES

On April 11, 1950, the California Public Utilities Commission authorized the Company to place in effect on May 15, 1950, new gas rate schedules which provide an average increase in rates of approximately 7.3%. This increase was expected to produce additional gross revenues of approximately $292,000 during the remainder of the year 1950, and approximately $540,000 on an annual basis. The increase applies to all classes of service.

The Company obtains all of its natural gas from Southern Counties Gas Company of California and the latter company obtains that portion of the gas supplied the Company through the Moreno line (capacity 40,000,000 cubic feet per day) from El Paso Natural Gas Company. El Paso Natural Gas Company has applied to the Federal Power Commission for authority to increase its gas rates, including the rates applicable to sales to Southern Counties Gas Company of California. Southern Counties Gas Company of California has applied to the Public Utilities Commission of the State of California for authority to increase its gas rates. Final decisions have not been reached in either of these matters. The rate schedule applicable to deliveries over the Moreno-Rainbow line to the Company reflect the full increase being sought by El Paso which increase was placed in effect on an interim basis on October 1, 1950. If the full increase applied for by El Paso is not finally approved by the Federal Power Commission, a proportionate reduction will be made in the rates to the Company. Southern Counties Gas Company of California, in its application for a rate increase, has submitted the rates under the two contracts above mentioned as representing proper rates with respect to sales to the Company and has stated that it will not seek further increases from the Company in that proceeding.

COMPETITION

Under the law of the State of California no privately owned public utility can enter into competition with the Company to render the same service as the Company in territory already served by the Company, without first obtaining a Certificate of Public Convenience and Necessity from the Public Utilities Commission of the State of California.

Under the Constitution and statutes of the State of California, municipal corporations, water and utilities districts and other public agencies have been authorized to engage in certain public utility activities, and may acquire properties for such purpose by purchase, condemnation, or new construction, and without regard to the fact that such activities may be in competition with privately owned public utilities. Such municipal corporations, water or utilities districts, and public agencies are empowered, among other things, to condemn properties already operated by privately owned public utilities. In the event of condemnation, the amount of the award for the property would be determined by a valuation made by the Court, jury, state regulatory commission, or other authority having jurisdiction of the particular proceeding as initiated by the condemning party.

There has been, from time to time, agitation in the territories served by the Company, including the City of San Diego and similar adjacent municipalities, to engage in municipal ownership of electric plants and distribution systems. No installation of competitive facilities has resulted.

The United States Navy has installed standby plants for use in certain of its shore stations where service is now being rendered by the Company. So far as is known to the Company, these standby plants are of insufficient capacity to provide all the requirements of such stations, and are intended to be used only in emergencies.

Eastward of the territory served by the Company, in an area which consists principally of sparsely populated mountain districts adjacent to the Mexican border, the Mountain Empire Electric Cooperative, Incorporated, in cooperation with the Rural Electrification Administration of the Federal Government, has constructed a 12,000 volt distribution line approximately 191 miles in length, which the Company is advised has cost approximately $386,000 and serves approximately 950 customers. The Cooperative purchases its electrical energy from the Company.

Vista Irrigation District has available two locations on the Lake Henshaw watershed at which small amounts of electric energy could be generated by the installation of hydro-electric plants. Such a development might be competitive with the Company if the Company was not offered, or if offered, was unwilling to purchase, the energy generated.

DESCRIPTION OF STOCK

The following is a brief summary of certain of the provisions contained in Article Sixth of the Articles of Incorporation, as amended, of the Company with respect to its Cumulative Preferred Stock, $20 par value (of which there will be outstanding after the issue of the new Preferred Stock, 375,000 shares of the 5% Series, 300,000 shares of the 4½% Series, and 325,000 shares of the 4.40% Series) and Common Stock, and a summary of the provisions of the Certificates of Determination of the Preferences relating to the 4½% Series, and the 4.40% Series, of the Company. Copies of the Articles of Incorporation, as amended, and of the said Certificates have been filed as Exhibits to the Registration Statement. The following summaries do not purport to be complete and reference is made to Article Sixth of said Articles and to said Certificates which are hereby incorporated herein by reference, for a full and complete statement of such provisions.

Special Voting Rights of Cumulative Preferred Stock:

The affirmative consent of the holders of at least two-thirds of the number of shares of Cumulative Preferred Stock at the time outstanding are required to:

(a) Create or authorize any class of stock which shall be entitled to any preference over, or parity with, the Cumulative Preferred Stock;

(b) Make any change in any of the provisions relative to the Cumulative Preferred Stock or any series thereof, (but the initial fixing of the dividend rate, conversion right, if any, redemption price, and liquidation preference of any unissued shares of such stock, by the Board of Directors shall not be deemed to be such a change) which would change the express terms or provisions of such stock in any manner prejudicial to the holders thereof, except that if such change is prejudicial to the holders of one or more, but not all of the series thereof, the consent of the holders of two-thirds of the total number of shares then outstanding of the series so effected shall be required;

(c) Issue any shares of any series of Cumulative Preferred Stock, unless immediately after such issue the sum of all indebtedness (as such term is defined in said Article Sixth) of the Company to be outstanding, plus the par value of all shares of Cumulative Preferred Stock to be outstanding, would not exceed three times the sum of (i) the par value of Common Stock to be outstanding, plus (ii) the premium on all stock to be outstanding, and plus (iii), to the extent the Company desires to use the same for such computation, the earned surplus of the Company. To the extent the Company uses earned surplus for the purpose of the computation, the amount thereof so used shall not be used for the payment of dividends on the Company's stock until such time as the Company shall have issued additional securities sufficient to satisfy the foregoing restrictions without the inclusion of such surplus;

(d) Issue shares of any series of Cumulative Preferred Stock unless (i) the net income of the Company available for dividends, for twelve months within the preceding fifteen months is at least twice the annual dividend requirements on all Cumulative Preferred Stock to be outstanding immediately after the proposed issue, and (ii) unless the net income of the Company available for the payment of interest on indebtedness for twelve consecutive months within the past fifteen months is at least equal to one and one-half times the annual interest charge on all indebtedness to be outstanding, plus the annual dividend requirements on all shares of Cumulative Preferred Stock to be outstanding; or

(e) Merge with or consolidate into any other corporation or corporations.

No consent of the holders of any series of Cumulative Preferred Stock is required for the creation of any class of stock entitled to any preference over, or parity with, such series, if the purpose of the creation thereof is, and the proceeds from the sale thereof are to be used for. the redemption of all shares of such series of Cumulative Preferred Stock then outstanding.

If, and whenever, dividends accrued and unpaid on the outstanding Cumulative Preferred Stock, or any series thereof, equal or exceed an amount equivalent to eight full quarterly dividends, then until all dividends in default shall have been paid or declared and set aside, the holders of the Cumulative Preferred Stock, voting separately as one class, shall be entitled to elect the smallest number of Directors necessary to constitute a majority of the full Board of Directors, and the holders of the Common Stock shall be entitled to elect the remaining Directors. Such special right of the Cumulative Preferred Stock shall cease whenever all unpaid dividends on the Cumulative Preferred Stock shall be declared and paid or set aside, such special right being subject to renewal in the event of further like default or defaults.

LEGAL OPINIONS

The legality of the new Preferred Stock and all legal matters in connection therewith will be passed upon for the Company by Messrs. Chickering & Gregory, 111 Sutter Street, San Francisco 4, California, counsel for the Company. The statements in this Prospectus involving matters of law, including legal conclusions expressed under the captions "Property," "Franchises and Concessions," "Regulation," "Competition," and "Description of Stock," have been reviewed by them and are made on their authority. The legality of the new Preferred Stock and various legal matters in connection therewith, not including matters with respect to the franchises and titles of the Company, will be passed upon by Messrs. O'Melveny & Myers, 433 South Spring Street, Los Angeles 13, California, counsel for the Underwriters. Mr. Allen L. Chickering, a partner in the firm of Chickering & Gregory, is also a Vice President, Director and stockholder of the Company.

MANAGEMENT AND CONTROL

The names and addresses of the Directors and executive Officers of the Company, and the offices held by each, are as follows:

Name	Address	Office
H. S. Anderton, M.D.	525 C Street, San Diego 1, Calif.	Director
Allen L. Chickering*	111 Sutter Street, San Francisco 4, Calif.	Vice President and Director
Hance H. Cleland	Electric Building, 861 Sixth Avenue, San Diego 12, Calif.	Consultant and Director
James D. Forward, Sr.	1028 Second Avenue, San Diego 1, Calif.	Director
M. B. Fowler	3356 First Avenue, San Diego 1, Calif.	Director
Oakley J. Hall	656 Spreckels Building, San Diego 1, Calif.	Director
A. E. Holloway	Electric Building, 861 Sixth Avenue, San Diego 12, Calif.	President and Director
L. M. Klauber	Electric Building, 861 Sixth Avenue, San Diego 12, Calif.	Chairman of the Board and Director
Bernard W. Lynch	231 So. La Salle St., Chicago 4, Ill.	Chairman of Finance Committee and Director
Lawrence Oliver	c/o American Processing Co., Ft. of Beardsley Street, San Diego 2, Calif.	Director
E. D. Sherwin	Electric Building, 861 Sixth Avenue, San Diego 12, Calif.	Vice President in Charge of Operation and Director
J. M. Bourus	Electric Building, 861 Sixth Avenue, San Diego 12, Calif.	Vice President and Treasurer
R. C. Cavell	Electric Building, 861 Sixth Avenue, San Diego 12, Calif.	Secretary
H. G. Dillin	Electric Building, 861 Sixth Avenue, San Diego 12, Calif.	Vice President in Charge of Sales

*Member of the firm of Chickering & Gregory, counsel for the Company

For the last five years the executive officers of the Company have been directly connected with and have devoted their entire time to the operations of the Company except: Bernard W. Lynch, who has devoted a substantial part of his time to other public utilities, and Allen L. Chickering, who has been engaged in the private practice of law.

Remuneration of Officers and Directors:

The aggregate remuneration paid directly or indirectly by the Company during the calendar year 1950 to (1) each of the two officers whose aggregate remuneration exceeded $25,000, and (2) all directors and officers as a group was as follows:

(1) Name of individual or identity of group	(2) Capacities in which remuneration was received	(3) Fees, salaries and commissions	(4) Bonuses and shares in profits	(5) Pension, retirement and similar payments
L. M. Klauber	Chairman of Board and Director	$ 30,750	None	None
A. E. Holloway	President and Director	30,750	None	$ 2,767
All officers and directors		149,500	None	10,626

The annual benefits estimated to be payable in the event of retirement at normal retirement date to the above named officers pursuant to the retirement plan are:

L. M. Klauber	$6,000,00
A. E. Holloway	6,000.00

Mr. Allen L. Chickering, a Director and Vice-President of the Company, is a partner of the law firm of Messrs. Chickering & Gregory, counsel for the Company, which firm received payments for legal services rendered to the Company in the amount of $49,500 during 1950.

During the last fiscal year no person who was a director or officer of the Company received remuneration, directly or indirectly, in the form of securities, option warrants, rights or other property, or through the exercise or disposition thereof.

Stockholdings of Directors and Officers:

As of November 30, 1950, the Directors and Officers of the Company, as a group, owned the following amounts of equity securities of the Company:

Title of Class	Type of Ownership	Amount Owned	Per Cent of Class
Cumulative Preferred Stock, 5% Series, $20 par value	Beneficially and of Record	1,778 shares	Less than 1.0
Common Stock ($10 par value)	Beneficially and of Record	22,040 shares	Less than 1.0

Indemnification:

Section 830 of the California Corporations Code authorizes a court to award indemnity to directors and officers under certain circumstances which, in the opinion of the Securities and Exchange Commission, may contravene public policy as expressed in the Securities Act of 1933 to the extent that the Code Section seems to permit indemnification against liability under said Act. In the event application is made under said Code section by a director or officer of the Company for such indemnification arising out of sale of the securities offered hereby, the Company will, unless in the opinion of its counsel the question has already been settled by controlling precedent, submit said question of public policy to a court of appropriate jurisdiction and will be governed by the final adjudication of such issue.

CERTAIN ADDITIONAL STATISTICS

Earnings Table

The following table sets forth in the second, third and fourth columns the approximate extent to which earnings have exceeded the respective categories, and, in the last column, the approximate earnings per share on the average number of shares of Common Stock outstanding, for each of the years 1941 to 1949 inclusive, and the twelve months ended October 31, 1950.

	Times Fixed Charges Earned After Income Taxes	Times Fixed Charges and Preferred Dividends Earned	Times Preferred Dividends Earned	Earned Per Share Common Stock
1941	3.60	2.27	4.42	$1.11
1942	4.26	2.35	4.01	0.90
1943	3.45	2.17	4.18	0.96
1944	3.41	2.14	4.04	0.91
1945	3.41	2.13	4.02	0.91
1946	3.56	2.19	4.07	0.92
1947	4.11	2.39	4.33	0.93
1948	3.51	2.37	5.26	0.99
1949	5.07	2.75	4.82	1.13
1950*	6.61	3.29	5.56	1.34

The foregoing table should be read in conjunction with the "Summary of Earnings" herein and the footnotes thereto.

*12 months ended October 31, 1950.

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Stock Ownership

The following are estimates, with respect to the distribution of the stocks of the Company, as of September 30, 1950, by class of investor and geographically, respectively:

Class	Cumulative Preferred Stock 5% Series Shareholders	Cumulative Preferred Stock 4½% Series Shareholders	Common Stock Shareholders
Women	1266	263	7204
Men	492	148	3606
Joint Tenants	569	197	5493
Trust Estates, Banks and other Custodians	125	68	228
Religious, Educational, Social and Charitable Institutions	52	19	77
Securities Dealers	13	15	45
Insurance Companies	12	31	12
Mercantile and Industrial Business Firms	8	10	50
Totals	2537	751	16,715

Area	Cumulative Preferred Stock 5% Series Shares	5% Series Shareholders	4½% Series Shares	4½% Series Shareholders	Common Stock Shares	Common Stock Shareholders
San Diego area*	147,200	1,395	27,586	262	1,164,876	6,994
Rest of California	116,385	770	48,105	249	713,946	5,945
Total in California	263,585	2,165	75,691	511	1,878,822	12,939
Outside California	111,415	372	224,309	240	521,178	3,776
Grand Totals	375,000	2,537	300,000	751	2,400,000	16,715

*Area mainly served by the Company.

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CERTIFICATE OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

San Diego Gas & Electric Company:

We have examined the balance sheet of San Diego Gas & Electric Company as of October 31, 1950 and the related statements of income and surplus and schedule of supplementary profit and loss information for the three years and ten months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Having previously made similar examinations for the two years ended December 31, 1946, we also have reviewed the summary of earnings for the five years ended December 31, 1949 and the twelve months ended October 31, 1950 which is included under the heading "Summary of Earnings" in this Prospectus.

As explained in Note 3 to the financial statements, special charges were made against income in the years 1946 to 1948, being completed in 1948, representing the write-off of plant acquisition adjustments and accelerated amortization of certain debt discount and expense, which charges were dependent upon earnings of the Company for those years. Inasmuch as these charges were based upon income available rather than upon a program of systematic amortization over a definite period, we are of the opinion that this practice is at variance with generally accepted accounting principles.

In our opinion, except as to the matter mentioned in the preceding paragraph, the accompanying balance sheet, statement of income (and its schedule), and statement of surplus, with their footnotes, present fairly the financial position of the Company at October 31, 1950 and the results of its operations for the three years and ten months then ended, and the summary of earnings, with its footnotes, summarizes fairly the results of operations for the five years ended December 31, 1949 and the twelve months ended October 31, 1950, all in conformity with generally accepted accounting principles applied on a consistent basis.

Los Angeles, California
January 10, 1951

HASKINS & SELLS

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SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET, OCTOBER 31, 1950

ASSETS

Utility Plant (Note 1):		
Property, plant, and equipment	$100,143,681	
Intangibles	44,362	
Total utility plant		$100,188,043
Current Assets:		
Cash on hand and demand deposits	$ 1,206,390	
Accounts receivable:		
Customers (less reserve for uncollectible accounts, $204,659)	1,476,333	
Other	132,216	
Materials and supplies (including construction materials) (at average cost)	1,196,665	
Prepayments	420,959	
Total current assets		4,432,563
Deferred Charges:		
Unamortized debt expense, less premium (Notes 2 and 3)	$ 30,305	
Retirement work in process	142,257	
Other deferred charges	33,997	
Total deferred charges		206,559
Total		$104,827,165

The accompanying Notes to Financial Statements are an integral part of this Statement.

SAN DIEGO GAS & ELECTRIC COMPANY

BALANCE SHEET, OCTOBER 31, 1950

LIABILITIES

Capital Stock (Note 4):		
Cumulative preferred (par value $20 a share)—authorized, 2,000,000 shares:		
5% series; issued and outstanding, 375,000 shares	$ 7,500,000	
4½% series; issued and outstanding, 300,000 shares	6,000,000	
Common (par value $10 a share)—authorized, 6,000,000 shares; issued and outstanding, 2,400,000 shares	24,000,000	
Total capital stock		$ 37,500,000
Long-Term Debt:		
First mortgage bonds, 3⅛% series due July 1, 1970	$ 16,000,000	
First mortgage bonds, 3% series C due 1978	10,000,000	
Notes payable to banks (Note 5)	800,000	
Total long-term debt		26,800,000
Current Liabilities:		
Accounts payable	$ 827,427	
Dividends accrued on preferred capital stock	53,750	
Customers' deposits	275,743	
Accrued salaries and wages	439,203	
Accrued taxes	4,278,615	
Accrued bond interest	229,922	
Other current liabilities	247,258	
Total current liabilities		6,351,918
Deferred Credits:		
Customers' advances for construction	$ 293,988	
Other deferred credits	148,399	
Total deferred credits		442,387
Reserves:		
Depreciation and amortization	$ 23,931,906	
Amortization of limited-term investments	6,787	
Other reserves	255,018	
Total reserves		24,193,711
Contributions in Aid of Construction		777,668
Premium on Capital Stock, per Statement of Surplus		4,117,813
Earned Surplus, per Statement of Surplus		4,643,668
Total		$104,827,165

The accompanying Notes to Financial Statements are an integral part of this Statement.

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SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME

For the Three Years Ended December 31, 1949 and the Ten Months Ended October 31, 1950

	Year Ended December 31 1947	1948	1949	Ten Months Ended October 31, 1950
OPERATING REVENUES:				
Electric department	$13,648,079	$14,861,105	$15,773,042	$13,308,725
Gas department	5,979,983	6,973,220	7,518,979	6,950,400
Steam department	90,412	95,847	95,016	68,204
Total operating revenues	$19,718,474	$21,930,172	$23,387,037	$20,327,329
OPERATING EXPENSES:				
Operation:				
Power purchased	$ 600,879	$ 435,271	$ 197,705	$ 177,159
Gas purchased (includes gas used in production of electric power)	1,955,222	2,827,824	3,008,442	3,193,910
Production (Note 8)	3,774,182	4,414,482	4,203,445	1,375,489
Transmission	125,056	57,276	93,437	81,337
Distribution	1,221,197	1,436,294	1,623,932	1,219,599
Customers' accounting and collecting	780,354	886,613	951,310	820,980
Sales promotion	412,956	462,731	489,847	404,105
Administrative and general	1,169,077	1,209,314	1,252,190	1,136,783
Provision for doubtful accounts	9,627	7,538		
Maintenance and repairs (Note 1)	1,173,655	1,424,986	1,613,740	1,587,007
Depreciation (Note 1)	1,985,239	2,162,728	2,487,065	2,270,000
Amortization of limited-term investments (patents and franchises) (Note 1)	397	394	388	
Provision for employees' future-service retirement annuities	243,794	277,052	318,689	274,567
Provision made in contemplation of increasing benefits under employees' past-service retirement annuities	3,526			
Taxes other than Federal taxes on income	1,785,470	2,156,241	2,426,665	2,493,518
Total operating expenses	$15,240,631	$17,758,744	$18,666,855	$15,034,454
NET OPERATING REVENUES	$ 4,477,843	$ 4,171,428	$ 4,720,182	$ 5,292,875
OTHER INCOME — interest	990	13,642	15	441
GROSS INCOME	$ 4,478,833	$ 4,185,070	$ 4,720,197	$5,293,316
INCOME DEDUCTIONS:				
Interest on funded debt	$ 540,000	$ 776,667	$ 840,000	$ 700,000
Interest on miscellaneous long-term debt	38,751	79,594	1,841	45,145
Amortization of debt discount and expense and premium (Notes 2 and 3)	11,980	2,181	1,991	1,659
Other interest	11,563	8,537	11,723	7,267
Interest charged to construction (*credit)	* 79,351	* 80,457	* 190,324	* 210,980
Miscellaneous	33,985	36,211	36,088	53,150
Total income deductions	$ 556,928	$ 822,733	$ 701,319	$ 596,241
NET INCOME BEFORE FEDERAL TAXES ON INCOME AND SPECIAL CHARGES	$ 3,921,905	$ 3,362,337	$ 4,018,878	$ 4,697,075
PROVISION FOR FEDERAL TAXES ON INCOME (Note 7)	1,420,000	1,091,000	1,313,000	1,716,000
NET INCOME BEFORE SPECIAL CHARGES	$ 2,501,905	$ 2,271,337	$ 2,705,878	$ 2,981,075
SPECIAL CHARGES (Note 3):				
Accelerated amortization of debt discount and expense	$ 312,758			
Amortization of plant acquisition adjustments	565,000	$ 300,414		
Total special charges	$ 877,758	$ 300,414		
NET INCOME—carried to earned surplus	$ 1,624,147	$ 1,970,923	$ 2,705,878	$ 2,981,075

The accompanying Notes to Financial Statements are an integral part of this Statement.

SAN DIEGO GAS & ELECTRIC COMPANY

STATEMENT OF SURPLUS

For the Three Years Ended December 31, 1949 and the Ten Months Ended October 31, 1950

CAPITAL SURPLUS (Premium on Capital Stock)	Year Ended December 31 1947	1948	1949	Ten Months Ended October 31, 1950
Balance at Beginning of the Period	$ 689,719	$1,642,363	$2,526,013	$2,526,013
Premium on Sale in 1947 of 300,000 Shares of Common Capital Stock, Less Expenses Incurred in Connection Therewith, $25,356	952,644			
Premium on Sale in 1948 of 350,000 Shares of Common Capital Stock, Less Expenses Incurred in Connection Therewith, $26,350		883,650		
Premium on Sale in 1950 of 500,000 Shares of Common Capital Stock, Less Expenses Incurred in Connection Therewith, $33,200				1,591,800
Balance at End of the Period	$1,642,363	$2,526,013	$2,526,013	$4,117,813

EARNED SURPLUS	1947	1948	1949	Ten Months Ended October 31, 1950
Balance at Beginning of the Period	$2,529,011	$2,718,158	$3,004,081	$3,540,093
Net Income From Statement of Income	1,624,147	1,970,923	2,705,878	2,981,075
Total	$4,153,158	$4,689,081	$5,709,959	$6,521,168
Deductions From Earned Surplus:				
Discount on sale in 1949 of 300,000 shares of cumulative preferred stock 4½% series, plus expenses incurred in connection therewith, $31,116			$ 88,116	
Dividends—cash:				
Cumulative preferred stock:				
5% series (annual rate, $1 a share)	$ 375,000	$ 375,000	375,000	$ 312,500
4½% series (annual rate, 90c a share)			186,750	225,000
Common stock (per share: 1947, 80c on 1,250,000 shares, plus 20c declared December 9, 1947 on additional 300,000 shares sold in 1947; 1948, 80c on 1,550,000 shares, plus 20c declared December 13, 1948 on additional 350,000 shares sold in 1948; 1949, 80c; and ten months ended October 31, 1950, 60c on 1,900,000 shares, plus 40c on additional 500,000 shares sold in 1950) (Note 6)	1,060,000	1,310,000	1,520,000	1,340,000
Total	$1,435,000	$1,685,000	$2,169,866	$1,877,500
Balance at End of the Period	$2,718,158	$3,004,081	$3,540,093	$4,643,668

The accompanying Notes to Financial Statements are an integral part of this Statement.

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SAN DIEGO GAS & ELECTRIC COMPANY

NOTES TO FINANCIAL STATEMENTS

1. Plant, property, and equipment, with possible minor exceptions, is stated at original cost (estimated where not known), that is, cost to the persons first devoting the properties to public service. As stated in Note 3 plant acquisition adjustments (amounting to $1,289,414) were written off during the three years ended December 31, 1948.

Provisions for depreciation in the three years ended December 31, 1949 and the ten months ended October 31, 1950 of property, plant, and equipment, other than emergency facilities (which are fully reserved) and transportation and construction equipment, are based on the estimated service lives of the respective classes of depreciable assets, using a five per cent sinking-fund method. The ratios of the provisions to the related aggregate depreciable asset balances for the years 1947, 1948, 1949 and 1950 (ten months) were 3.65%, 3.66%, 3.47%, and 2.75%, respectively. The reserve to which such provisions are credited is charged with the cost (estimated if not known) of property, plant, and equipment retired or otherwise disposed of, plus removal costs, less salvage. No specific reserve is provided for obsolescence.

Provisions for depreciation of transportation and construction equipment are based on the estimated service lives of the respective classes of equipment, using a straight-line method. Such provisions are charged to clearing accounts and subsequently distributed to operations and construction, and are not included in the item of depreciation in the statement of income. The reserves to which the provisions are credited are charged with the cost of equipment retired or otherwise disposed of, less salvage; concurrently, the provision for the current period is increased to the extent of any deficiency or decreased to the extent of any excess in the reserve with respect to the equipment disposed of.

Provision is made (at the end of each year) for amortization of limited-term investments (patents and franchises) over the period of their respective lives, using a straight-line method. The cost of patents and franchises is charged to the reserve at their expiration.

Maintenance of property, plant, and equipment, other than transportation and construction equipment, is charged to operating expenses. Maintenance of transportation and construction equipment is charged to clearing accounts and subsequently distributed to operations and construction; the item of maintenance and repairs shown in the statement of income does not include maintenance of such equipment, except to the extent of a portion, impracticable of determination, of the distributions made to maintenance accounts from the clearing accounts referred to.

Renewals of units of property, plant, and equipment, other than minor items, are charged to the appropriate plant accounts and the latter are relieved of the cost of the units replaced; renewals of minor items are charged to maintenance and repairs. This practice is also followed with respect to betterments.

2. The balance in unamortized debt expense, less premium, comprises unamortized debt expense of $61,884 on the outstanding first mortgage bonds, 3⅛% series, less unamortized premium and expense of $31,579 on the outstanding first mortgage bonds, 3% series C. These amounts are being amortized over the lives of the respective issues.

3. As a result of discussions in 1946 with the Public Utilities Commission of the State of California, the Company obtained permission to accelerate the extinguishment of unamortized debt discount and expense and redemption premium applicable to bonds refunded before maturity by the presently outstanding 3⅛% series, and to write off plant acquisition adjustments, the acceleration and write-off being dependent upon earnings. In 1946 and 1947, the Company applied $848,000 and $312,758, respectively, by charges against income, to accelerate the extinguishment of such debt discount and expense and redemption premium (fully extinguished in 1947), and in 1946, 1947, and 1948, $424,000, $565,000, and $300,414, respectively, to the write-off of plant acquisition adjustments (fully written off in 1948). Had these charges not been made, net income for 1946 (shown in the Summary of Earnings in this Prospectus), 1947, and 1948 would have been greater by $1,272,000, $833,589, and $247,412, respectively (considering as to the two last named periods that amortization of debt discount and expense and premium, included in income deductions, would have amounted to $56,149 and $55,183, rather than to $11,980 and $2,181 as reported).

4. The Company, at the option of the Board of Directors, may redeem at any time, or from time to time, upon thirty days' prior mailed notice, the whole or any part of the cumulative preferred stock or any series thereof, at the price fixed as being payable in case of redemption, together with accrued dividends. The redemption price of the 375,000 shares of the 5% series is $24 a share (total amount at which presently redeemable, $9,000,000, plus accrued dividends). The redemption prices of the 300,000 shares of the 4½% series are: $22 to April 1, 1954; $21.80 thereafter to April 1, 1959; $21.60 thereafter to April 1, 1964; and $21.20 thereafter (total amount at which presently redeemable, $6,600,000, plus accrued dividends).

The voluntary liquidation prices per share of the cumulative preferred stock, 5% and 4½% series, are the same as their redemption values.

5. The Company has an agreement with a syndicate of banks providing for a line of credit to December 31, 1951 of $8,000,000, the money to be made available, as needed, at interest rates of 2% to 2⅛% per annum, with a fee of ⅛ of 1% on the unused amount of the commitment. Borrowings at October 31, 1950,

SAN DIEGO GAS & ELECTRIC COMPANY

SCHEDULE OF SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the Three Years Ended December 31, 1949 and the Ten Months Ended October 31, 1950

	Year Ended December 31 1947	1948	1949	Ten Months Ended October 31, 1950
MAINTENANCE AND REPAIRS, charged to:				
Operating expenses	$1,173,655	$1,424,986	$1,613,740	$1,587,007
Clearing accounts (Note 1)	112,915	135,783	158,162	143,362
Total	$1,286,570	$1,560,769	$1,771,902	$1,730,369
DEPRECIATION OF PROPERTY, PLANT, AND EQUIPMENT, charged to:				
Operating expenses	$1,985,239	$2,162,728	$2,487,065	$2,270,000
Clearing accounts (Note 1)	34,022	78,202	110,822	128,759
Total	$2,019,261	$2,240,930	$2,597,887	$2,398,759
AMORTIZATION OF PLANT ACQUISITION ADJUSTMENTS, charged to special charges to income (Note 2)	$ 565,000	$ 300,414		
AMORTIZATION OF LIMITED-TERM INVESTMENTS (Patents and Franchises), charged to operating expenses	$ 397	$ 394	$ 388	
TAXES (Other Than Federal Taxes on Income), charged to:				
Operating expenses:				
City and county ad valorem	$1,313,356	$1,711,675	$1,885,955	$1,925,000
State corporation franchise	137,750	106,700	148,100	173,900
Federal excise tax on electric energy	288,334	315,642	355,680	308,768
State and Federal social security	47,027	23,510	38,961	85,850
Total (Note 3)	$1,786,467	$2,157,527	$2,428,696	$2,493,518
Clearing accounts (social security taxes) (Note 1)	32,057	23,432	34,104	60,894
Property, plant, and equipment (social security taxes)	29,370	21,356	35,927	65,057
Other accounts (principally social security and ad valorem taxes)	437	655	870	772
Total (Note 4)	$1,848,331	$2,202,970	$2,499,597	$2,620,241
SERVICE CONTRACT FEES, charged to:				
Operating expenses	$ 3,672	$ 3,850	$ 13,682	$ 10,692
Property, plant, and equipment	228,572	124,833	181,765	165,488
Clearing accounts (Note 1)	3,491	2,036	2,886	2,031
TOTAL	$ 235,735	$ 130,719	$ 198,333	$ 178,211

NOTES:

1. The charges to clearing accounts are principally in respect of transportation and construction equipment and are apportioned to operations and construction, etc., on the basis of service rendered by the equipment.
2. Reference is made to Note 3 to financial statements for explanation of this item.
3. Includes taxes of $997 for 1947, $1,286 for 1948, and $2,031 for 1949, representing city and county ad valorem taxes charged to operating expenses other than taxes.
4. Excise taxes are included in cost of materials and supplies purchased and are not charged to taxes account. It would be impracticable to follow the ultimate distribution of, or to ascertain the total amount of, these many small items.
5. Amounts of rents paid during the three years were not significant, and there were no royalties.

UNDERWRITING

The following is a brief outline of certain of the provisions of the Underwriting Agreement which does not purport to be complete.

Delivery of the new Preferred Stock is to be made against payment therefor on the Closing Date, which is expected to be January 23, 1951.

The Underwriting Agreement does not irrevocably bind the Underwriters to purchase the new Preferred Stock, but provides that it may be terminated by the Representative of the Underwriters, with the consent of the Underwriters of fifty per cent of the new Preferred Stock, prior to the Closing Date, in the event of a material loss to the Company by reason of calamity.

The Underwriting Agreement also provides that the obligations of the several Underwriters are subject, among other things, to the approval of certain legal matters by their counsel and to the continued truth at the Closing Date of certain representations and warranties as to the condition of the Company. In the event of a default by one or more Underwriters in the purchase of not more than 32,500 shares of the new Preferred Stock agreed to be purchased by them, the remaining non-defaulting Underwriters are obligated proportionately to purchase such defaulted new Preferred Stock; in the event of a default by one or more Underwriters in the purchase of more than 32,500 shares of the new Preferred Stock agreed to be purchased by them, the remaining non-defaulting Underwriters may, but are not obligated to, arrange for other or substituted Underwriters to purchase all of such defaulted new Preferred Stock, or such Underwriters may terminate the agreement without liability; in either such case, however, the defaulting Underwriters would remain liable.

The foregoing brief summary of certain provisions of the Underwriting Agreement is qualified in its entirety by reference to the copy thereof filed as an exhibit to the Registration Statement.

TERMS OF OFFERING

The several Underwriters, through Blyth & Co., Inc., as their representative (herein called the "Representative") have advised the Company as follows:

The several Underwriters intend to make a public offering of the new Preferred Stock at the initial public offering price shown on the cover page of this Prospectus, for delivery when and if accepted by the several Underwriters and subject to the approval of their counsel as to legal matters and subject to the rights of the several Underwriters to withdraw, cancel or modify such offer without notice, and to the further rights of the several Underwriters in their discretion to reject in whole or in part any orders for the purchase of any of the new Preferred Stock.

Each Underwriter has authorized the Representative to reserve for sale and sell for its account to dealers selected by the Representative such number of shares of the new Preferred Stock purchased by such Underwriter as the Representative may determine. Such dealers, among whom may be included any of the several Underwriters, must be members of the National Association of Securities Dealers, Inc., and are herein called the "Selected Dealers." Any such sales to Selected Dealers shall be made at the initial public offering price less a concession of 30 cents per share.

The several Underwriters and the Selected Dealers may reallow a discount of not in excess of 12½ cents per share to other dealers or brokers who are members of the National Association of Securities Dealers, Inc., provided that such discount is to be retained. Any Underwriter may make purchases or sales of the new Preferred Stock from or to any of the other Underwriters at the public offering price less a concession not exceeding the Selected Dealers' concession. Any

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of the several Underwriters, acting through the Representative, may make purchases or sales of new Preferred Stock from or to another Underwriter at the public offering price less a discount equivalent to all or any part of the gross underwriting commission.

After the initial public offering, the public offering price of the new Preferred Stock and the concessions to dealers may be varied by the Representative by reason of changes in market conditions. The several Underwriters have no present intention of selling or offering for sale any of the shares of new Preferred Stock at any concessions or variations in price except as herein set forth.

The Agreement Among Underwriters authorizes the Representative, for the respective accounts of the several Underwriters during the term of such Agreement, or for such longer period as may be necessary to cover any short position incurred for the accounts of the several Underwriters, to buy and sell new Preferred Stock and presently outstanding shares of Cumulative Preferred Stock of the Company, in the open market or otherwise, on a when-issued basis or otherwise, for either long or short acoount, on such terms and at such prices as the Representative may deem advisable and in arranging for sales to over-allot for the account of each Underwriter and to cover such over-allotments. The Agreement further provides that the net commitment of any Underwriter in such purchases, sales and over-allotments shall not, either for long or short account, exceed 10% of the number of shares of new Preferred Stock which such Underwriter has agreed to purchase from the Company. The Agreement provides that purchases and sales and over-allotments made under the foregoing provisions shall be made for the accounts of the several Underwriters as nearly as practicable in proportion to the number of shares of new Preferred Stock which the Underwriters, respectively, have agreed to purchase from the Company, and each Underwriter agrees to take up at cost on demand any of the shares so purchased for its account and to deliver on demand any of the shares so sold for its account. The purpose of the provisions described in this paragraph is to enable the Representative to facilitate the distribution of the new Preferred Stock by effecting transactions in the manner and within the limits described in the Agreement Among Underwriters for the purpose of stabilizing the market price of the new Preferred Stock, but the existence of such provisions is no assurance that the price of the new Preferred Stock will be stabilized or that stabilization, if commenced, may not be discontinued at any time. Attention is directed to the fact that during the period of distribution of the new Preferred Stock the transactions effected by the Underwriters may have, initially at least, a dominating influence in the market for the new Preferred Stock; that, under the circumstances, any maintenance of the bid prices for the new Preferred Stock in the over-the-counter market during such period may not be determined solely by supply and demand, but may be due in part to transactions by the Underwriters in their own interests in connection with the distribution; and that at the expiration of the distribution period the market will cease to have the support, if any, furnished by the Underwriters.

Pursuant to the foregoing provisions, if any new Preferred Stock sold by or through any Underwriter (otherwise than through the Representative) shall be purchased or contracted for purchase by the Representative during the term of the Agreement Among Underwriters, the Representative is authorized in its discretion to charge the account of the Underwriter originally purchasing such new Preferred Stock from the Company the amount of the Selected Dealers' concession with respect thereto or, in lieu thereof, to require such Underwriter to repurchase such shares at a price equal to the total cost of such purchase, including commissions, if any, and transfer tax on the redelivery.

Each of the several Underwriters has agreed that, during the life of the Agreement Among Underwriters, or such shorter period as the Representative may determine, it will not buy or sell for its own account or for the account of customers any shares of the new Preferred Stock or presently outstanding shares of Cumulative Preferred Stock except as provided in the Agreement Among Underwriters, provided, however, that such agreement shall not prohibit any Underwriter from buying or selling any such shares as a broker pursuant to unsolicited orders.

Each Underwriter agrees to advise the Representative, upon request, during the term of the Agreement Among Underwriters of the number of shares of such Underwriter's new Preferred Stock remaining unsold and agrees to sell to the Representative for the accounts of one or more of the several Underwriters such number of shares as the Representative may specify at the public offering price less an amount to be determined by the Representative not in excess of the Selected Dealers' concession.

The Agreement Among Underwriters will terminate 20 days after the initial public offering date, or may be terminated at any earlier or later time in the discretion of the Representative, but not later than 40 days after the initial public offering. Upon termination of the Agreement Among Underwriters, in the event that any new Preferred Stock reserved as aforesaid for offering to dealers remains unsold, and if the aggregate of such unsold new Preferred Stock of all Underwriters shall be less than 32,500 shares, the Representative is authorized in its discretion to sell such new Preferred Stock for the account of each Underwriter at such price or prices as it may determine.

Copies of the form of the Agreement Among Underwriters are filed as an exhibit to the Registration Statement.

The names and addresses of the several Underwriters, none of which is affiliated with the Company, and the number of shares of new Preferred Stock to be purchased by each are:

Name	Address	Number of Shares
Blyth & Co., Inc.	Russ Building, San Francisco 4, Calif.	49,000
Harriman Ripley & Co., Incorporated	63 Wall Street, New York 5, N. Y.	25,000
Merrill Lynch, Pierce, Fenner & Beane	70 Pine Street, New York 5, N. Y.	25,000
Smith, Barney & Co.	14 Wall Street, New York 5, N. Y.	25,000
Stone & Webster Securities Corporation	90 Broad Street, New York 4, N. Y.	25,000
Dean Witter & Co.	45 Montgomery Street, San Francisco 6, Calif.	25,000
Blair, Rollins & Co. Incorporated	44 Wall Street, New York 5, N. Y.	12,500
H. M. Byllesby and Company (Incorporated)	135 S. La Salle Street, Chicago 3, Ill.	12,500
Elworthy & Co.	111 Sutter Street, San Francisco 4, Calif.	8,500
Schwabacher & Co.	600 Market Street, San Francisco 4, Calif.	8,500
Weeden & Co. Incorporated	14 Wall Street, New York 5, N. Y.	8,500
William R. Staats Co.	640 S. Spring Street, Los Angeles 14, Calif.	7,000
Wesley Hall & Co.	401 First National Building, San Diego 1, Calif.	6,000
Hope & Co.	530 Broadway, San Diego 1, Calif.	6,000
Bateman, Eichler & Co.	453 S. Spring Street, Los Angeles 13, Calif.	5,000
First California Company	300 Montgomery Street, San Francisco 20, Calif.	5,000
Hill Richards & Co.	621 S. Spring Street, Los Angeles 14, Calif.	5,000
Lester & Co.	621 S. Spring Street, Los Angeles 14, Calif.	5,000
Revel Miller & Co.	650 S. Spring Street, Los Angeles 14, Calif.	5,000
Whiting, Weeks & Stubbs	53 State Street, Boston 9, Mass.	5,000

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Name	Address	Number of Shares
Brush, Slocumb & Co.	1 Montgomery Street, San Francisco 4, Calif.......	4,500
Mitchum, Tully & Co.	405 Montgomery Street, San Francisco 4, Calif......	4,500
Shuman, Agnew & Co.	155 Sansome Street, San Francisco 4, Calif........	3,500
Pacific Company of California	623 S. Hope Street, Los Angeles 17, Calif...........	3,000
Crowell, Weedon & Co.	650 S. Spring Street, Los Angeles 14, Calif..........	2,500
Davis, Skaggs & Co.	111 Sutter Street, San Francisco 4, Calif.............	2,500
Pacific Northwest Company	501 Exchange Building, Seattle 14, Wash...........	2,500
Bingham, Walter & Hurry	621 S. Spring Street, Los Angeles 14, Calif..........	2,000
Irving Lundborg & Co.	310 Sansome Street, San Francisco 4, Calif..........	2,000
McAndrew & Co. Incorporated	1900 Russ Building, San Francisco 4, Calif..........	2,000
Stern, Frank & Meyer	325 W. 8th Street, Los Angeles 14, Calif............	2,000
Sutro & Co.	407 Montgomery Street, San Francisco 4, Calif......	2,000
Henry F. Swift & Co.	490 California Street, San Francisco 4, Calif.........	2,000
Wagenseller & Durst, Inc.	626 S. Spring Street, Los Angeles 14, Calif.........	2,000
Wulff, Hansen & Co.	450 Russ Building, San Francisco 4, Calif...........	2,000
Dewar & Company	First National Building, San Diego 1, Calif..........	1,500
Maxfield H. Friedman	111 Sutter Street, San Francisco 4, Calif............	1,500
J. A. Hogle & Co.	132 Main Street, Salt Lake City 1, Utah.............	1,500
Mason Brothers	1412 Central Bank Bldg., Oakland 12, Calif..........	1,500
Pacific Coast Securities Company	519 California Street, San Francisco 4, Calif.........	1,500
Raggio, Reed & Co.	1501 Russ Building, San Francisco 4, Calif..........	1,500
Walston, Hoffman & Goodwin	265 Montgomery Street, San Francisco 4, Calif......	1,500
Bailey & Davidson	155 Sansome Street, San Francisco 4, Calif...........	1,000
C. N. White & Co.	1201 Central Bank Building, Oakland 12, Calif.......	1,000
		325,000