

SAN DIEGO GAS & ELECTRIC COMPANY
NOTICE OF ENERGY RESOURCE RECOVERY
ACCOUNT APPLICATION
APPLICATION NO. A. 06-10-007

On October 2, 2006, San Diego Gas & Electric Company (SDG&E) filed a request with the California Public Utilities Commission (CPUC) for approval of its forecasted electric procurement revenue requirement for 2007, referred to as SDG&E's Energy Resource Recovery Account (ERRA) Application (A. 06-10-007).

SDG&E is not proposing an electric rate change. However, the 2007 revenue requirement forecast the CPUC adopts for SDG&E could be a component of a future request by SDG&E for a rate change.

Utility charges on your bill are for numerous cost elements including transmission services, distribution services and energy charges. At issue in this application are the Competition Transition Charges (CTC), the Power Charge Indifference Adjustment (PCIA, formerly the Direct Access Cost Responsibility Surcharge) and a part of the electric commodity charges.

SDG&E is requesting approval of a forecast 2007 ERRA revenue requirement of \$592.8 million, a forecast CTC revenue requirement of \$53.9 million and forecast PCIA revenue requirement of \$0 (zero). These revenue requirements cover costs of acquiring power for retail customers, including costs to purchase power under contracts with various power suppliers, the California Independent System Operator charges and collateral requirements associated with electric procurement, as well as the cost responsibility of Direct Access customers for above market costs associated with the California Department of Water Resources (CDWR) power costs. The PCIA revenue requirement includes costs associated with contracts entered into by the CDWR.

For illustrative purposes only, and not for the purpose of predicting changes in rates, SDG&E has estimated a hypothetical increase in SDG&E's existing class average rates caused solely by the difference between: (1) the 2006 ERRA revenue and currently-authorized collection of CTC revenue, and (2) the 2007 forecasted ERRA revenue requirement (\$115 million increase) and the 2007 forecasted revenue requirement for CTC (\$16 million decrease). The current PCIA and forecasted 2007 PCIA revenue requirements are \$0 (zero). The net impact of these changes is an increase of \$99 million. Other pending factors that could reduce the impact of this application include an estimated \$48 million decrease in the CDWR revenue requirement and an estimated San Onofre Nuclear Generating Station non-fuel revenue requirement decrease of \$25 million. The average rate impacts based on the forecasted \$99 million increase are as follows:

**SAN DIEGO GAS & ELECTRIC COMPANY - ELECTRIC DEPARTMENT
ILLUSTRATIVE CHANGE IN CLASS AVERAGE RATES DUE TO
REVENUE REQUIREMENTS PROPOSED IN ERRA APPLICATION**

Customer Class	09/01/06 Class Average Rates (¢/kWh)	Class Average Rates Reflecting Proposed Revenue Changes (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change %
Residential*	16.563	17.187	0.624	3.8%
Small Commercial	16.907	17.541	0.634	3.8%
Med. & Large C&I	12.782	13.401	0.619	4.8%
Agriculture	15.295	15.999	0.604	3.9%
Lighting	15.313	15.796	0.483	3.2%
System Total	14.601	15.223	0.622	4.3%

* Pursuant to California Assembly Bill 1X, electric rates for residential usage up to 130% of baseline allowances will not exceed rate levels in effect February 1, 2001.

THE CPUC WELCOMES YOUR COMMENTS AND PARTICIPATION

Before acting on our application, the CPUC may hold evidentiary hearings to examine evidence and hear testimony presented by SDG&E and any other interested parties, including the CPUC's Division of Ratepayer Advocates (DRA). After considering all evidence presented, the CPUC will issue a decision. The CPUC may approve forecast ERRA revenue requirements that differ from those we request. Until the CPUC issues its final decision, it is unknown whether the adopted forecast revenue requirements will result in any rate changes and, if so, the magnitude of those changes.

The evidentiary hearings are open to the public, but only those wishing to present evidence or cross-examine witnesses may directly participate in the hearing process. If you wish to participate in the evidentiary hearings and need advice on how to do so, or if you would like information on the location and schedule of the hearings, please write to the CPUC's Public Advisor at the following address: Public Advisor, California Public Utilities Commission, 320 West 4th St., Suite 500, Los Angeles, CA 90013, or by e-mail to public.advisor.la@cpuc.ca.gov.

As part of its decision-making process, the CPUC is also interested in your comments. You may submit written comments to the Commission's Public Advisor at the above address. Please mention that you are writing about SDG&E application (A. 06-10-007). Your comments will be circulated to the five Commissioners, the assigned administrative law judge, and the appropriate Commission staff assigned to this proceeding. In addition, your comments will become part of the formal correspondence file available to the full Commission as they decide this application. Please state in your letter if you would like a response. Otherwise, no reply will be sent.

FOR FURTHER INFORMATION

Specific questions concerning this application may be directed to Charles Manzuk, Regulatory Case Manager for SDG&E, 8330 Century Park Court, San Diego, CA 92123. SDG&E will provide a copy of the application, including the public testimony, upon request. A copy of the application and any amendments may be inspected at the SDG&E business offices listed below:

436 H St.

Chula Vista, CA 91910

104 North Johnson Ave.

El Cajon, CA 92020

320 W. Mission Ave.

Escondido, CA 92025

2405 Plaza Blvd.

National City, CA 91950

336 Euclid Ave.

Suite 502

San Diego, CA 92113-3645

440 Beech St.

San Diego, CA 92101

3910 Vista Way

Suite 105

Oceanside, CA 92054

SDG&E's application and attachments may also be inspected at the CPUC office located at 320 West Fourth St., Suite 500, Los Angeles.

The application is available electronically on SDG&E's Web site at http://www.sdge.com/regulatory/tariff/cpuc_openProceedings.shtml

Copies of this insert will be available for viewing and printing on the SDG&E Web site at www.sdge.com/tariff/inserts.



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