

SAN DIEGO GAS AND ELECTRIC COMPANY NOTICE OF PROPOSED RATE INCREASE

APPLICATION NO. 02-10-040

OUR REQUEST

On October 31, 2002, San Diego Gas and Electric Company (SDG&E) filed Application No. 02-10-040 with the California Public Utilities Commission (Commission). This application requests that the Commission modify and continue its Gas Procurement Performance-Based Ratemaking (Gas PBR) mechanism until either: 1) Commission approval of a subsequent application to modify or discontinue the Gas PBR mechanism; or 2) Commission approval of the consolidation of the SDG&E and Southern California Gas Company gas portfolios. The Commission is considering this issue in application A.01-01-021.

EFFECT ON GAS RATES AND BILLS

Under the CPUC-approved Gas PBR mechanism, the actual cost SDG&E pays for gas to meet the needs of its core customers is measured against a Commission-approved benchmark for the prevailing market price of gas. If SDG&E is able to purchase gas below the benchmark, customers and shareholders share the savings. If the Commission approves Application 02-10-040 as requested, the manner in which the Gas PBR mechanism is operated, including the sharing of savings between customers and shareholders, would be altered. These proposed alterations in the Gas PBR mechanism could result in possible rate increases. The individual bill impacts of each customer could vary depending on the CPUC's final decision.

THE CPUC MAY HOLD EVIDENTIARY HEARINGS

Before acting on our application, the CPUC may hold evidentiary hearings. At the hearings, the Commission will accept testimony from SDG&E and other interested parties who may offer proposals that differ from those applied for by SDG&E. After considering all evidence presented, the CPUC will issue a decision on this application. The actual rates approved by the CPUC may be different from those proposed in our application.

If you wish to participate in the evidentiary hearings and need advice on how to do so, or if you would like to submit written comments, please write to the CPUC's Public Advisor at the following address: Public Advisor, California Public Utilities Commission,

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320 West Fourth Street, Suite 500, Los Angeles, CA 90013 or e-mail public.advisor.la@cpuc.ca.gov. Make sure that you specify the application number, (A.) 02-10-040 in your letter. The Public Advisor will give your comments to the Commissioners and the Administrative Law Judge assigned to the case. Your comments will become part of the formal correspondence filed in this proceeding. Also, please indicate in your letter if you would like a response. Otherwise, none will be sent.

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Gregory Healy, Sempra Energy Utilities, 555 West Fifth Street, 14th Floor, Los Angeles, CA 90013-1011. A copy of this application may also be inspected at Sempra Energy headquarters, located at 101 Ash Street, San Diego, California 92101, or at the following SDG&E business offices:

436 H Street
Chula Vista, CA 91910

5971 University Avenue #310
San Diego, CA 92115

2405 Plaza Boulevard
National City, CA 91950

4340 Genesee Avenue #103
San Diego, CA 92117

1720 Euclid Avenue
San Diego, CA 92105

320 W. Mission Avenue
Escondido, CA 92025

2nd and Ash Street
San Diego, CA 92101

662 Camino De Los Mares
San Clemente, CA 92673

104 North Johnson Avenue
El Cajon, CA 92020

3910 Vista Way, Suite 105
Oceanside, CA 92054

30673 Old Highway 80
Pine Valley, CA 91962

The application may also be inspected at the CPUC offices located in San Diego at 1350 Front Street, Room 4006, and in Los Angeles at 320 West Fourth Street, Suite 500.

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

