

SAN DIEGO GAS & ELECTRIC COMPANY
NOTICE OF PROPOSED CHANGES TO GAS RATES
System Integration, Firm Access Rights and Off System
Deliveries Application

APPLICATION NO. A.04-12-004

OUR REQUEST

On December 2, 2004, San Diego Gas & Electric (SDG&E) filed Application No. 04-12-004 (Application) with the California Public Utilities Commission ("Commission") to revise its rates for gas service. Specifically, this Application proposes to revise SDG&E's rates to combine the costs of the integrated Southern California Gas Company and SDG&E transmission systems, to establish a separate charge for firm access rights into the systems (which will be credited back to customer rates), and to establish a separate fuel charge for transmission service. The Application also proposes new service offerings for delivery of gas off of the system and revisions to various tariffs.

This application is being filed pursuant to CPUC decision D.04-09-022, in which the Commission ordered SDG&E to file an application identifying the rate impacts of proposals made by the utility in Phase I of the Commission's Rulemaking R.04-01-025 to ensure that California consumers will continue to have long-term access to natural gas supplies.

In this Application, SDG&E proposes a decrease in gas transportation rates of \$17.2 million, or 7.3% for SDG&E customers. A typical winter bill for an SDG&E residential customer using 50 therms will decrease by \$1.14 under the proposed rates, from the average \$44.92 under present rates. Proposed rates on average for SDG&E's business and industrial customers are also lower. Proposed rates for electric generation customers will be slightly lower.

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WHAT THIS MEANS TO YOU

The following table shows the rate impact to each customer class of SDG&E's proposals.

Customer Class	Present Revenues [†] (\$ Millions)	Proposed & Estimated Revenues ^{††} (\$ Millions)	% Change Rates
Residential Core [*]	\$140.1	\$131.4	-6.3%
Commercial/Industrial (Core) [*]	\$35.1	\$32.0	-8.7%
Commercial/Industrial (Noncore) ^{**}	\$7.3	\$5.4	-25.4%
Electric Generation	\$31.5	\$28.1	-10.9%
Net PPP Revenues ^{***}	\$21.1	\$21.1	0.0%

* Core customers generally use smaller quantities of gas.

** Noncore customers are generally large gas users who often have alternate fuel capacity.

*** PPP stands for the Public Purpose Programs surcharge. The revenues fund certain state-mandated programs, including income-qualified subsidy programs, conservation and research and development.

† Present Revenues include all bundled service costs including those services unbundled by D.01-12-018.

†† Includes estimates to reflect average expenses for each customer class for the separate reservation charge of 5¢ / dth for firm access rights and cost of in-kind fuel for transmission.

The impact on each customer and each customer class could vary depending on individual usage and the Commission's final decision.

WHAT YOU CAN DO

Before acting on SDG&E's Application, the Commission will hold formal evidentiary hearings that will be open to the public and devoted to analyzing the need for the requested rate changes. At these hearings, the Commission will accept testimony from SDG&E, the Commission's Office of Ratepayer Advocates and other interested parties who may offer proposals that differ from those requested by SoCalGas. After considering all the proposals, the Commission will issue a decision.

You may view a copy of the Application at the address listed below or obtain a copy of the Application and related testimony by writing to:

Beth Musich
Regulatory Affairs Case Manager
for San Diego Gas & Electric Company
555 W. Fifth Street, M.L. GT14D6
Los Angeles, CA 90013-1011

A copy of the application and any amendments also may be inspected at the Sempra Energy headquarters, located at 101 Ash Street, San Diego, CA 92101 or at the SDG&E business offices listed below:

436 H Street
Chula Vista, CA 91910-4308

2405 Plaza Boulevard
National City, CA 91950-5101

336 Euclid Avenue
Suite 502
San Diego, CA 92113-3645

2nd and Ash Street
San Diego, CA 92101

4340 Genesee Avenue
Suite 103
San Diego, CA 92105-5399

30763 Old Highway 80
Pine Valley, CA 91962-4401

104 North Johnson Avenue
El Cajon, CA 92020

320 West Mission Avenue
Escondido, CA 92025

662 Camino De Los Mares
San Clemente, CA 92673-2827

3910 Vista Way
Suite 105
Oceanside, CA 92054

You may also view a copy of the Application at the following address:

California Public Utilities Commission
1350 Front St.
San Diego, CA 92101

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If you would like to participate in the hearings and need assistance, or if you would like to send comments to the Commission, you may write to the Public Advisor's Office at the address above, or send an e-mail to *public.advisor.la@cpuc.ca.gov*.

Any letters received from you will be circulated to each Commissioner and will become part of the formal correspondence file in this application. In your letter, state that you are writing in regard to Application No. 04-12-004. Please indicate if you would like a response to your letter. Otherwise, none will be sent.

Copies of this insert will be available for viewing and printing after December 13, 2004 on the SDG&E Web site at *www.sdge.com/tariff/inserts*.

