

SAN DIEGO GAS & ELECTRIC COMPANY

NOTICE OF PROPOSED CHANGES TO GAS RATES BIENNIAL COST ALLOCATION PROCEEDING (BCAP) APPLICATION NO. 03-09-031

OUR REQUEST

On September 17, 2003, San Diego Gas & Electric Company ("SDG&E") filed Application No.03-09-031 (Application) with the California Public Utilities Commission ("Commission") to revise its rates for gas service effective January 1, 2005. Specifically, this Application proposes to revise SDG&E's rates to update the allocation among customers of SDG&E's non-gas costs of service (excluding the costs of unbundled storage). This Application also reflects forecasted account balances in various balancing, tracking, and memorandum accounts, all of which were previously authorized by the Commission. The Application proposes 100% balancing account treatment for noncore transportation revenues due to the significant number of factors that affect noncore demand, and consistent with SDG&E's treatment of core transportation revenues. The Application also proposes new noncore service offerings and revisions to various tariffs.

SDG&E proposes rates in this Application based upon an embedded cost allocation methodology. Embedded cost-based rates rely generally on the historical costs of SDG&E to provide service. In this Application, SDG&E proposes an increase in overall transportation rates of \$34 million, or 13.5%. A typical winter bill for a residential customer using 40 therms will increase by \$1.29 under the proposed rates, from the average \$39.89 under present rates. Proposed rates for small businesses and small industrial customers are also higher. Proposed rates are higher for large commercial and industrial customers, as well as electric generation customers, primarily due to an expected reduction in gas demand that will result in fewer therms across which to spread required costs.

WHAT THIS MEANS TO YOU

The impact to each customer class on the proposed effective date of January 1, 2005 will be as follows:

Customer Class	Present Revenues [†] (\$ Thousands)	Proposed Revenues (\$ Thousands)	Percent Change Rates
Residential (Core)*	156.3	164.6	5%
Commercial/Industrial (Core)**	48.9	56.5	16%
Commercial/Industrial (Noncore)***	3.9	6.5	67%
Electric Generation	17.0	30.8	81%
Net PPP Revenues****	24.5	26.2	7%

* Core customers generally use smaller quantities of gas, have priority access to gas service and do not have alternate fuel capability.

** Core Commercial/Industrial customers generally use smaller quantities of gas than noncore customers.

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

**** 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.

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 SDG&E. 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 exhibits by writing to:

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

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

California Public Utilities Commission
320 West Fourth Street, Suite 500
Los Angeles, CA 90013

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. 03-09-031. 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 September 30, 2003 on the SDG&E Web site at www.sdge.com/tariff/inserts/.

