

**SAN DIEGO GAS & ELECTRIC COMPANY
AMENDED NOTICE OF PROPOSED CHANGES TO GAS RATES
BIENNIAL COST ALLOCATION PROCEEDING (BCAP)
APPLICATION NO. 01-10-005**

On October 5, 2001, San Diego Gas & Electric Company (SDG&E) filed its BCAP Application No. 01-10-005 (Application) with the California Public Utilities Commission (CPUC) to revise its rates for natural gas transportation service effective January 1, 2003. On December 11, 2001 the CPUC issued Decision (D.) 01-12-018, that unbundled certain transmission and storage services SDG&E receives from the Southern California Gas Company ("SoCalGas") and also established revenue requirements and rates for some of those services through August 31, 2006. As a result, SDG&E filed an Amendment to its Application on March 18, 2002 to incorporate the changes required by D.01-12-018. The Amendment also includes updates caused by the passage of time, such as updates of the presently effective rates and updated forecasts of natural gas demand.

The purpose of the BCAP is to revise the allocation of non-commodity gas costs of service among customer classes, which then changes customer rates. Non-commodity gas transportation costs include the costs incurred by SDG&E to provide distribution, transmission and storage services, and are reflected in the transportation component of gas rates. The gas commodity component of rates is not part of this proceeding and therefore not addressed in SDG&E's BCAP Application.

In this Amendment, SDG&E proposes an increase in overall transportation rates of \$15.0 million or 6.7% under marginal cost-based rates, or an increase of \$10.8 million or 4.8% under embedded cost-based rates. The most significant change impacting the proposed rates is the revision in wholesale transportation costs allocated to SDG&E reflecting a significant decrease in usage by Electric Generators. In the aggregate, the proposed changes cause customer rates to increase slightly over what was shown in the Application. As it did previously, SDG&E proposes in the Amendment both marginal cost-based rates and embedded cost-based rates. Marginal cost-based

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rates rely generally on forecast future costs of SDG&E to provide service. Embedded cost-based rates rely generally on the historical costs of SDG&E to provide service. The Commission will select one of

these proposals for allocating costs to customer classes when it establishes new SDG&E rates.

HOW THIS WOULD AFFECT RESIDENTIAL CUSTOMERS' GAS RATES

Depending on whether the CPUC uses the embedded or marginal cost allocation approach in its final decision to determine revised rates, the impact to each customer class (after factoring in the revisions in the Amendment) on the proposed effective date of April 1, 2003 will be as follows:

<u>Customer Class</u>	<u>Present Revenues</u> (\$ millions)	<u>Proposed Amended Marginal Cost Revenues</u> (\$ millions)	<u>% Change Rates</u>	<u>Proposed Amended Embedded Cost Revenues</u> (\$ millions)	<u>% Change Rates</u>
Residential (Core) ¹	139.5	160.2	14.8%	154.3	10.6%
Natural Gas Vehicle (Core) ¹	2.3	1.7	(24.5%)	2.0	(10.3%)
Commercial/Industrial (Core) ²	48.2	49.1	1.9%	47.8	(0.9%)
Commercial/Industrial (NonCore) ³	2.6	3.0	15.6%	3.8	49.8%
Electric Generation ³ (Cogen/Power Plants)	8.2	10.8	31.4%	12.3	49.5%
Public Purpose Programs	24.8	15.8	(36.2%)	16.0	(35.3%)

¹ Residential Core customers typically use smaller quantities of gas, have priority access to gas service and do not have alternate fuel capability.

² Core Commercial/Industrial customers generally use smaller quantities of gas than noncore customers.

³ Noncore customers are generally large gas users who often have alternate fuel capability.

A typical winter bill for a residential customer (using 40 therms) will increase by \$1.79 under marginal cost-based rates, and \$1.08 under embedded cost-based rates. The impact to each customer and each customer class could vary depending on individual usage and the CPUC's final decision.

THE CPUC WILL HOLD EVIDENTIARY HEARINGS

Before acting on SDG&E's Amendment, the CPUC will hold formal evidentiary hearings. These hearings will be open to the public and will be 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 (ORA) and other interested parties who may offer proposals that differ from those applied for by SDG&E. After considering all the proposals, the Commission will issue a decision. The actual CPUC-approved rates may be higher or lower than those requested by SDG&E.

HEARINGS ARE OPEN TO THE PUBLIC YOU ARE WELCOME TO PARTICIPATE IN THE HEARINGS

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 Fourth Street, Suite 500, Los Angeles, CA 90013. Make sure that you specify the application number, (A.) 01-10-005 in your letter.

If you cannot attend the evidentiary hearings, you may submit written comments to the CPUC at the above address, or by e-mail to public.advisor.la@cpuc.ca.gov. 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

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correspondence file in this proceeding. Again, please state that you are writing in regard to Application No. (A.) 01-10-005. Also, please indicate in your letter if you would like a response, otherwise none will be sent.

FOR FURTHER INFORMATION

You may obtain a copy of the application and related exhibits by writing to: Rodney Winter, Regulatory Case Manager for San Diego Gas & Electric Company, 8315 Century Park Court CP22D, San Diego, CA 92123-1550.

A copy of this application may be inspected at the Sempra Energy headquarters located at 101 Ash Street, San Diego, CA 92101, or at the following SDG&E business offices:

436 H Street
Chula Vista, CA 91910

1720 Euclid Avenue
San Diego, CA 92105

104 North Johnson Avenue
El Cajon, CA 92020

5971 University Avenue #310
San Diego, CA 92115

320 W. Mission Avenue
Escondido, CA 92025

4120 Oceanside Boulevard
Suite 125
Oceanside, CA 92056

2405 Plaza Boulevard
National City, CA 91950

2nd and Ash Street
San Diego, CA 92101

30673 Old Highway 80
Pine Valley, CA 91962

4340 Genesee Avenue #103
San Diego, CA 92117

662 Camino De Los Mares
San Clemente, CA 92673

The application may also be inspected at the CPUC offices located in San Diego at 1350 Front Street, Room 4006, San Diego, CA 92101; Los Angeles at 320 West Fourth Street, Suite 500, Los Angeles, CA 90013; and at 505 Van Ness Avenue, San Francisco, CA 94102. Copies of this insert will be available for viewing and printing after March 30, 2002 on the SDG&E Web site at www.sdge.com/tariff/inserts.

