

SAN DIEGO GAS & ELECTRIC COMPANY

NOTIFICATION OF 2009 ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) APPLICATION, A.08-10-004

On October 1, 2008, 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 2009, referred to as SDG&E's 2009 Energy Resource Recovery Account (ERRA) Application (A.08-10-004).

SDG&E's 2009 ERRA APPLICATION

Utility charges on your bill are for numerous cost elements including transmission services, distribution services and energy charges. The issues addressed in this application are the Competition Transition Charges (CTC), the Power Charge Indifference Adjustment (PCIA) and a significant portion of the electric commodity charges.

SDG&E is requesting approval of a forecasted 2009 ERRA revenue requirement of \$970 million, a forecast CTC revenue requirement of \$69 million and a forecast PCIA revenue requirement of \$0 (zero).

These revenue requirements cover costs of acquiring power for retail customers which include:

- Costs to purchase power under contracts with various power suppliers, and
- The California Independent System Operator (CAISO) charges and collateral requirements associated with electric procurement.

The ERRA costs exclude energy provided by the California Department of Water Resources (CDWR). This application also includes the cost responsibility of Direct Access (DA) customers and Community Choice Aggregation (CCA) customers for above-market costs associated with qualifying facilities and purchase power costs eligible for such recovery under AB 1890.

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Accordingly, SDG&E is requesting that the CPUC approve this application to increase its rates to cover the \$116 million increase in electric revenues associated with the ERRA Application. SDG&E proposes to implement this rate increase with the next applicable rate change after the approval of this application.

EFFECT ON ELECTRIC RATES AND BILLS

If the CPUC approves SDG&E's request, a typical non-CARE coastal residential customer's summer electric bill using 500 kilowatt-hours of electricity will increase from \$80.52 per month to \$82.57 per month, or \$2.05. The impact on each customer and customer class could vary depending on the CPUC's final decision. SDG&E estimates that the requested \$116 million increase in electric revenues associated with the ERRA Application would be allocated in a manner shown in the table below.

San Diego Gas & Electric Company - Electric Department Proposed Change In Class Average Rates

	10/01/08 Class Average Rates (¢/kWh)	Class Average Rates Reflecting Proposed Revenue Changes (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change %
Residential *	16.803	17.428	0.625	3.72%
Small Commercial	17.167	17.860	0.623	4.04%
Med. & Large C&I	14.239	14.912	0.674	4.73%
Agriculture	16.807	17.453	0.646	3.84%
Lighting	15.409	15.817	0.407	2.64%
System Total	15.460	16.114	0.653	4.23%

* 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, with the exception that rates for usage up to 130% of baseline shall be increased to recover costs associated with the California Solar Initiative.

EVIDENTIARY HEARINGS

The CPUC may hold evidentiary hearings whereby formal parties of record provide testimony and are subject to cross-examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are formal parties of record can participate. The CPUC has their own court reporters who will take the comments of those formal parties of record participating in the evidentiary hearings. The Division of Ratepayer Advocates (DRA) consists of engineers, accountants, economists and attorneys who independently evaluate the proposal of utilities for rate changes and present their analyses and recommendations for the CPUC at the evidentiary hearings. Once hearings are completed the ALJ will consider all of the evidence presented and release the draft decision. The CPUC may approve the proposed requests of SDG&E, approve the draft decision by the ALJ or may approve an alternate decision filed by a Commissioner. In its final decision, the CPUC can accept, reject, or modify the recommendations of any party.

If you would like additional information, or if you would like to send comments to the CPUC, you may write to the CPUC's Public Advisor's Office, 320 West Fourth St., Suite 500, Los Angeles, CA 90013, or send an e-mail to public.advisor.la@cpuc.ca.gov. All letters received from consumers are circulated to each Commissioner and assigned ALJ and will become part of the formal correspondence file in this application. In your letter, state that your comments are regarding Application No. 08-10-004.

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Wendy Keilani, 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. SDG&E's application and attachments may be inspected at the

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CPUC's Central Files Office, 505 Van Ness Ave., San Francisco, CA 94102. 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

336 Euclid Ave., Suite 502
San Diego, CA 92102

104 North Johnson Ave.
El Cajon, CA 92020

440 Beech St.
San Diego, CA 92101

320 W. Mission Ave.
Escondido, CA 92025

3485 Marron Rd.
Oceanside, CA 92056

2405 Plaza Blvd.
National City, CA 91950

Copies of this application are available on the SDG&E Web site at: www.sdge.com/regulatory/cpuc.shtml.

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

