

SAN DIEGO GAS & ELECTRIC COMPANY NOTICE OF RIM ROCK TAX EQUITY INVESTMENT RECOVERY APPLICATION NO. A.10-07-017

On July 15, 2010, San Diego Gas & Electric Company (SDG&E®) filed a request with the California Public Utilities Commission (CPUC) for approval to make an equity investment in the NaturEner Montana Wind Energy 3 (Rim Rock) project equal to the lesser of \$600 million or eighty percent (80%) of the total cost of the project. This investment will reduce the financing costs of the Rim Rock project, which in turn will produce more economic contract terms for ratepayers under the existing Power Purchase Agreement (PPA) between NaturEner and SDG&E for 309 MW of renewable wind generation. In addition, SDG&E's investment will enhance the viability of the project which is expected to provide a significant quantity of renewable energy to SDG&E's portfolio. The application seeks approval of the revenue requirement associated with the equity investment that would take effect at the time the Rim Rock project is put into commercial operation, which is anticipated to be late 2012. The structure of the tax equity investment and the ratebase mechanism to recover the investment are detailed in SDG&E's application.

SAN DIEGO GAS & ELECTRIC COMPANY Illustrative Changes in Class Average Electric Rates Due to Proposed Rim Rock Tax Equity Investment

Although SDG&E anticipates that rates will increase in some years due to SDG&E's equity investment in the Rim Rock project, the investment is forecasted to be rate neutral when factoring the net present value costs and benefits over the life of the project. If the Commission approves SDG&E's request, in 2013 a typical residential customer living in the inland climate zone and using 500

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kWh per month will see a monthly bill increase in 2013 of 0.3%, or \$0.24. A typical monthly electric bill will increase from \$78.07 to \$78.31. The percentages shown do not necessarily reflect the changes that you may see in your bill. The impact on each customer and customer class could vary depending on the CPUC's final decision. Changes in individual bills will also depend on how much energy each customer uses. SDG&E estimates that the requested rate increase associated with the SDG&E's equity investment in the Rim Rock project during 2013, 2014 and 2015 would be allocated in a manner shown in the table below

San Diego Gas & Electric Company - Electric Department Proposed Change In Class Average Rates In 2013

	2010 Rates (Effective 05/01/10) (¢/kWh)	2013 (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change %
Residential*	17.689	17.808	0.119	0.67%
Small Commercial	17.665	17.793	0.128	0.72%
Med. & Large C&I	14.223	14.349	0.126	0.89%
Agriculture	17.174	17.296	0.122	0.71%
Lighting	15.529	15.617	0.088	0.57%
System Total	15.852	15.975	0.123	0.78%

San Diego Gas & Electric Company - Electric Department Proposed Change In Class Average Rates In 2014

	2010 Rates (Effective 05/01/10) (¢/kWh)	2014 (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change %
Residential*	17.689	17.566	(0.123)	-0.70%
Small Commercial	17.665	17.532	(0.133)	-0.75%
Med. & Large C&I	14.223	14.091	(0.132)	-0.93%
Agriculture	17.174	17.046	(0.128)	-0.75%
Lighting	15.529	15.438	(0.091)	-0.59%
System Total	15.852	15.724	(0.128)	-0.81%

San Diego Gas & Electric Company - Electric Department

Proposed Change In Class Average Rates In 2015

	2010 Rates (Effective 05/01/10) (¢/kWh)	2015 (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change %
Residential*	17.689	17.589	(0.100)	-0.57%
Small Commercial	17.665	17.557	(0.108)	-0.61%
Med. & Large C&I	14.223	14.116	(0.107)	-0.75%
Agriculture	17.174	17.070	(0.104)	-0.61%
Lighting	15.529	15.455	(0.074)	-0.48%
System Total	15.852	15.748	(0.104)	-0.66%

* 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 exceptions that rates for usage up to 130% of baseline shall be increased 3% to 5% each year pursuant to California Senate Bill 695, and to recover costs associated with the California Solar Initiative.

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Despina Niehaus, Regulatory Manager for SDG&E, 8330 Century Park Court, San Diego, CA 92123. SDG&E will provide a copy of the application, including testimony, upon request. A copy of the application and any amendments also may be inspected at the SDG&E business offices listed below:

436 H Street Chula Vista, CA 91910	104 N Johnson Ave El Cajon, CA 92020	644 W Mission Ave Escondido, CA 92025
2405 E Plaza Blvd National City, CA 91950	336 Euclid Avenue San Diego, CA 92114	2604 S El Camino Real Carlsbad, CA 92008
440 Beech St San Diego, CA 92101		

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

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

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CPUC PROCESS

The CPUC may hold Evidentiary Hearings (EHs) whereby parties of record provide testimony and are subject to cross-examination before a CPUC 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 its own court reporters who will record the comments of those formal parties of record participating in the EHs. The Division of Ratepayer Advocates (DRA) is an independent arm of the CPUC, created by the Legislature to represent the interests of all utility customers throughout the state to obtain the lowest possible rates for service consistent with reliable and safe service levels. DRA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. After considering all proposals and evidence presented during the formal hearing process, the assigned ALJ will issue a proposed draft decision. When the CPUC issues a final decision on the application, it may adopt, amend or modify all or part of the ALJ's proposed decision as written. The CPUC's decision may be different than SDG&E's formal request.

If you would like additional information or would like to attend these hearings, you can contact the Public Advisor's Office. You may also send your comments to the Public Advisors' address, 320 West 4th St., Ste. 500, Los Angeles, CA 90013 or send an e-mail to: public.advisor.la@cpuc.ca.gov. Any correspondence received will become part of the formal file in this application. Please reference Application No. A.10-07-017 in any correspondence.

