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**NOTIFICATION OF
SAN DIEGO GAS AND ELECTRIC COMPANY'S
2012 GENERAL RATE CASE (GRC)
APPLICATION FILING A.10-12-005**

WHAT IS A GRC?

GRC stands for General Rate Case. Every three or four years, investor-owned utilities such as San Diego Gas & Electric Company (SDG&E®) are required to file a GRC in which the California Public Utilities Commission (CPUC) sets annual revenue requirement levels. The annual revenue requirement is the total amount of money a utility collects through rates in a given year for specific purposes.

On December 15, 2010, SDG&E filed an application asking the CPUC to increase the revenue that SDG&E uses to distribute gas and electricity and to generate electricity. While the CPUC will determine the total amount of money SDG&E can collect in rates in the GRC decision, the design of the actual rates themselves (that is, the level of prices charged to customers) will be determined in separate proceedings to be filed in the future with the CPUC.

(Continued inside)

SDG&E REQUESTS A TOTAL INCREASE OF \$277 MILLION FOR GAS AND ELECTRIC SERVICE EFFECTIVE JANUARY 1, 2012

SDG&E is requesting a total revenue increase of \$277 million over the currently authorized revenues for electric distribution and generation and gas distribution for 2010, with such increase to be effective on January 1, 2012. This increase consists of the following:

- An increase in electric revenues of \$238 million over the currently authorized levels for 2011. This increase is made up of two elements: (1) the cost of delivering electricity to SDG&E's customers (\$225 million); and (2) the cost of operating SDG&E's power plants (\$13 million). This increase does not include the cost of electricity procured for SDG&E's customers, as such costs are authorized in a separate proceeding.
- An increase in gas revenues of \$39 million over the currently authorized level for 2011. This increase does not include the cost of gas procured for SDG&E's core customers, as such costs are also authorized in a separate proceeding.

SDG&E is also requesting approval for additional revenues in 2013, 2014, and 2015 to cover increasing costs due to plant investment and inflation. The proposed ratemaking mechanism utilizes a starting point set by SDG&E's 2012 GRC outcome, and would be used to set rates beginning January 1, 2013. Rates in the subsequent years will be adjusted annually using separate update formulas for capital-related and operations and maintenance ("O&M") expenses.

KEY REASONS WHY SDG&E IS ASKING FOR INCREASES ARE:

- To continue to invest in and maintain the system of power plants, poles, wires, pipes and equipment needed to deliver electricity and gas to SDG&E's customers; and
- To maintain the support structure necessary to keep SDG&E operating and to provide SDG&E's customers with safe, reliable and responsive customer service.

During the proceedings, updated information may be introduced that could change the amounts SDG&E has requested. What the CPUC adopts may differ from what SDG&E has requested.

ESTIMATED IMPACT OF THIS REQUEST ON ELECTRIC RATES

SDG&E estimates that, initially, the requested \$238 million increase in electric revenues would be distributed in the manner shown in the table below. The actual distribution of the increase to each customer class depends on how the CPUC ultimately decides all issues in the GRC, as well as in the separate electric rate design proceeding expected to be filed with the CPUC in March 2011.

Customer Class	2010 Rates Effective 9/1/2010	Proposed Rates Effective 1/1/2012	Total Rate Change	Percentage Rate Change
Residential	18.851	20.046	1.465	7.88%
Small Commercial	18.242	20.683	2.441	13.38%
Medium and Large C&I*	14.683	15.438	0.755	5.14%
Agriculture	17.595	20.530	2.935	16.68%
Lighting	15.729	16.107	0.378	2.40%
System Total	16.466	17.666	1.200	7.29%

If the CPUC approves SDG&E's request for an electric rate increase, the bill for a typical bundled residential customer living in the inland climate zone and using 500 kWh per month would increase **\$3.62**, or 4.5 percent from **\$79.69** to **\$83.31**. Individual customer bills may vary. Rates would become effective in 2012.

ESTIMATED IMPACT OF THIS REQUEST ON GAS RATES

SDG&E estimates that, initially, the requested \$39 million increase in gas revenues would be distributed in the manner shown in the table below. The actual distribution of the increase to each customer class depends on how the CPUC ultimately decides all issues in the GRC, as well as in the separate gas rate design proceeding expected to be filed with the CPUC sometime in the future.

ILLUSTRATIVE REVENUE ALLOCATION BY CUSTOMER CLASS: GAS

Rate Class	Revenues at Present Rates (\$000)	Revenues at Proposed Rates (\$000)	Revenue Change (\$000)	Rate Change (%)
Residential	\$440,829	\$470,857	\$30,029	6.8%
Core C&I*	\$141,186	\$145,891	\$4,705	3.3%
Natural Gas Vehicle	\$10,558	\$10,755	\$197	1.9%
Subtotal Core	\$592,572	\$627,504	\$34,931	5.9%
Non-Core C&I*	\$7,271	\$7,801	\$531	7.3%
Electric Generation	\$16,979	\$20,317	\$3,338	19.7%
Subtotal NonCore	\$24,249	\$28,118	\$3,868	16.0%
Total System	\$616,822	\$655,622	\$38,800	6.3%

*C&I stands for Commercial and Industrial

If the CPUC approves SDG&E's request for a gas rate increase, the bill for a typical bundled residential customer using 33 therms per month would increase **\$2.93**, or 6.7 percent, from **\$43.90** to **\$46.82**. Individual customer bills may differ. **Rates would become effective in 2012.**

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Ronald van der Leeden, 2012 GRC Director 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

2405 E Plaza Blvd
National City, CA 91950

440 Beech St
San Diego, CA 92101

104 N Johnson Ave
El Cajon, CA 92020

336 Euclid Avenue
San Diego, CA 92114

644 W Mission Ave
Escondido, CA 92025

2604 S El Camino Real
Carlsbad, CA 92008

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

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

PUBLIC PARTICIPATION HEARINGS (PPHs)

The CPUC welcomes the public's participation. Before acting on SDG&E's application, the CPUC will hold PPHs to provide customers with an opportunity to express their views before a CPUC Administrative Law Judge (ALJ). Notification of these hearings will be sent to you either by a separate mailing, or included as a bill insert. The notice will identify all of the locations that the PPHs are being held for your convenience and planning.

Those customers who cannot attend a hearing may submit written comments to the CPUC at the address listed below. All such correspondence to the CPUC should include a reference to SDG&E's 2012 GRC application (A.10-12-005).

THE CPUC PROCESS

The CPUC's Division of Ratepayer Advocates (DRA) will review this Application. DRA is an independent arm of the CPUC, created by the Legislature to represent the interests of all utility customers throughout the state and obtain the lowest possible rate for service consistent with reliable and safe service levels. DRA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. DRA's views do not necessarily reflect those of the CPUC. Other parties of record will also participate.

The CPUC will hold evidentiary hearings for the GRC application in 2011 where parties of record present their proposals in testimony and are subject to cross-examination before an ALJ. These hearings are open to the public, but only those who are parties of record can present

evidence or cross-examine witnesses during evidentiary hearings. Members of the public may attend, but not participate in, these hearings.

After considering all proposals and evidence presented during the hearing process, the ALJ will issue a draft decision. When the CPUC acts on this Application, it may adopt all or part of SDG&E's request, amend or modify it or deny the Application. The CPUC's final decision may be different from SDG&E's Application.

If you would like to participate in the evidentiary hearings as a party of record, please contact the CPUC's Public Advisor at the address below.

The Public Advisor

California Public Utilities Commission

505 Van Ness Avenue, Room 2103

San Francisco, CA 94102

415-703-2074

1-866-849-8390 (toll free)

TTY 415-703-5282

TTY 866-836-7825 (toll free)

E-mail to: public.advisor@cpuc.ca.gov

If you are writing a letter to the Public Advisor's Office, please include the number of the Application (A.10-12-005) to which you are referring. All comments will be circulated to the Commissioners, the assigned ALJ and the Energy Division staff.

