

**SAN DIEGO GAS & ELECTRIC COMPANY
NOTIFICATION OF APPLICATION TO RETURN REVENUES
FROM THE SALE OF GREENHOUSE GAS ALLOWANCES
AND TO RECOVER FORECASTED COSTS ASSOCIATED
WITH CALIFORNIA'S GREENHOUSE GAS EMISSIONS
REDUCTION PROGRAM FOR 2013 AND 2014 AND NOTICE
OF POTENTIAL IMPACT ON ELECTRIC RATES
APPLICATION NO. 13-08-005**

On August 1, 2013, San Diego Gas & Electric Company (SDG&E[®]) submitted an application to the California Public Utilities Commission (CPUC) to forecast revenues from the sale of greenhouse gas (GHG) allowances under California's GHG emissions reduction program, and to recover the forecasted costs associated with this program for 2013 and 2014. This application complies with CPUC Decision 12-12-033 which ordered this requirement.

Forecasted GHG costs will be recovered through electric rates while the GHG allowance revenues will be returned to some bundled and Direct Access (DA) customers as bill credits. The GHG allowance revenue bill credits are intended to reduce the electric rate impacts of the GHG costs.

GHG COSTS

The forecasted GHG costs include the direct compliance costs associated with electric generation plants owned by SDG&E and indirect costs that are embedded in market electricity prices, or charged by third parties to SDG&E. If this application is approved, SDG&E will recover in rates approximately \$152.1 million of its 2013 and 2014 forecasted costs of complying with the GHG emissions reduction program, including these direct and indirect costs.

The following table reflects the estimated monthly electric rate impacts of the GHG costs to be recovered from customers. The percentages shown do not necessarily reflect the changes that you may see on your bill. Actual changes in individual bills will depend on how much electricity each customer uses.

(Continued inside)

**SAN DIEGO GAS & ELECTRIC COMPANY
ELECTRIC DEPARTMENT
ILLUSTRATIVE ELECTRIC BUNDLED RATE IMPACT**

Customer Class	Current Class Average Rates (¢/kWh)	Class Average Rates Reflecting Proposed Revenue Changes (¢/kWh)	Total Rate Change (¢/kWh)	Percentage Rate Change %
Residential	18.322	18.912	0.590	3.22%
Small Commercial	18.158	18.793	0.635	3.50%
Medium and Large C&I*	14.474	15.101	0.627	4.33%
Agricultural	17.653	18.259	0.606	3.43%
Lighting	14.920	15.357	0.437	2.93%
System Total	16.269	16.879	0.610	3.75%

*C&I stands for Commercial and Industrial

GHG ALLOWANCE REVENUES

The California Air Resources Board (CARB) encourages the reduction of GHG emissions by placing a cap on the amount of GHG emissions a facility can emit. This is regulated by CARB through the implementation of GHG allowances, or permits to facilities that emit greenhouse gases. Starting in 2013, CARB allocated SDG&E and other California utilities GHG emissions allowances to be sold for the benefit of customers and to mitigate the cost impact of the program. SDG&E is required to sell its allowances in an auction and pass the revenue received from the sale to its bundled (customers who pay SDG&E to generate and distribute electricity to them) and DA (customers who have another company supply them with electricity, but it's distributed through SDG&E's system) customers via credits on their bills, less some expenses for administration and outreach costs, and dollars set aside for incremental energy efficiency and clean energy investment funds. SDG&E does not profit from the sale of these GHG allowances.

SDG&E estimates that approximately \$199.9 million in revenues will be received from the sale of GHG allowances in 2013 and 2014. Of this amount, \$665,000 is expected to be set aside for customer outreach and administrative costs, and \$11 million is expected to be set aside for incremental energy efficiency and clean energy investment funding. The estimated remaining \$188.2 million in GHG allowance revenues will be distributed to some bundled and DA customers as bill credits. As directed by state law, the estimated \$188.2 million will be allocated to residential and small business customers as well as some industrial customers. For some

customers, the GHG allowance revenue bill credits are intended to offset the electric rate impacts of the GHG costs. The order and method in which these revenues are returned are determined by the California legislature and CPUC, and are expected as follows:¹

- First, to some Industrial customers annually, via a fixed-amount bill credit.
- Then, to Small Business and Residential customers each month, via a bill credit based on usage.
- Then, an additional credit for all Residential households semi-annually, via a fixed-amount bill credit.

The customer classifications defined by the CPUC are different than SDG&E's customer classes. Small businesses entitled to receive energy GHG allowance revenue credits will include customers in SDG&E's Small Commercial, Medium & Large Commercial & Industrial, and Agricultural customer classes. Industrial customers are anticipated to include SDG&E's Small Commercial, and Medium & Large Commercial & Industrial customer classes. In accordance with CARB confidentiality guidance, and because the details for allocating revenues by customer classification have not yet been finalized at the CPUC, SDG&E is unable to provide the specific amounts that will be allocated to each customer classification at this time.²

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Shirley Amrany, San Diego Gas & Electric Company, 8330 Century Park Court, CP32D, San Diego, CA 92123. SDG&E's application and related exhibits may also be inspected at the CPUC office located at 505 Van Ness Ave., San Francisco, CA 94102. Additionally, a copy of the application and related exhibits may be inspected at the following SDG&E business offices:

436 H St. 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 Ave. San Diego, CA 92114	2604 S. El Camino Real Carlsbad, CA 92008
440 Beech St. San Diego, CA 92101		

¹ Proposed classifications and payments are subject to CPUC approval.

² More detailed information regarding SDG&E's allocation of estimated allowance revenues and the combined illustrative impact on rates from the GHG costs and allowance revenues for 2013 and 2014 can be found beginning on page nine in the Direct Testimony of Yvonne Le Mieux in support of the Application.

The application and related exhibits are also available electronically on SDG&E's website at <http://sdge.com/proceedings>.

Copies of this bill insert will be available for viewing and printing on the SDG&E website at <http://sdge.com/regulatory-notice>.

CPUC PROCESS

This Application will be assigned to an Administrative Law Judge (ALJ) who will determine how to receive evidence and other related documents, necessary for the CPUC to establish a record upon which to base its Decision. Evidentiary Hearings (EHs) may be held where parties of record will present their testimony and may be subject to cross-examination by other parties. These EHs are open to the public, but only those who are parties of record can participate. After considering all evidence presented during the formal hearing process, the assigned ALJ will issue a proposed decision. The CPUC Commissioners will consider the ALJ's proposed decision and decide whether to adopt all or part of SDG&E's request, modify it, or deny it at a scheduled Commission Voting Meeting. The CPUC's approvals may differ from those SDG&E requests, and actual rates may differ from what is described in this notice.

The CPUC offers a free Subscription Service which is available on the CPUC website at www.cpuc.ca.gov which allows you to follow this proceeding. If you would like to learn how you can participate in the proceeding, if you have informal comments or questions about the proposed request, or questions about the CPUC process, you may contact the CPUC's Public Advisor's Office (PAO) at the address noted below. When writing, please reference proceeding A.13-08-005. All comments, written correspondence and emails are provided to the Commissioners and the assigned ALJ for this proceeding to review.

Write: CPUC Public Advisor's Office Email: public.advisor@cpuc.ca.gov
505 Van Ness Avenue Phone: 866-849-8390
San Francisco, CA 94102

