

A typical monthly bill for a residential customer using 33 therms per month will decrease from \$36.38 at present rates to \$36.32 in 2013. This represents a decrease of \$0.06, or 0.16%.⁽¹⁾

⁽¹⁾ These monthly bill estimates include charges for transportation, Public Purpose Program Surcharges natural gas commodity, and Backbone Transmission Service.

The impact on each customer and each customer class could vary depending on individual usage and the Commission's final decision.

You can obtain more information about this application from SDG&E by writing to Chuck Manzuk, 8330 Century Park Court, San Diego, CA 92123. You may also view a copy of the application on SDG&E's website: <http://sdge.com/proceedings>.

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

Staff from the CPUC's Public Advisor's Office will be at the hearing to assist you. If you would like more information on how to participate at the public hearing, or if you are unable to attend and would like to submit written comments about the Application, please contact:

Public Advisor
California Public Utilities Commission
320 West Fourth Street, Suite 500
Los Angeles, CA 90013

Or via e-mail to Public.advisor.la@cpuc.ca.gov

Telephone: (415) 703-2074 or toll-free: 1-866-849-8390

Teletype (TTY): (415) 703-5282 or toll-free TTY: 1-866-836-7825



NOTICE OF PUBLIC PARTICIPATION HEARINGS REGARDING COST OF CAPITAL APPLICATION SAN DIEGO GAS & ELECTRIC COMPANY APPLICATION NO. 12-04-016

The California Public Utilities Commission (CPUC or Commission) is interested in hearing from you! Your public comments on the above proceeding are important to the CPUC. A Public Participation Hearing is scheduled for the location and time listed below. Customer Service Representatives from San Diego Gas & Electric Company (SDG&E®) will be present at the hearing to assist with individual customer billing and service concerns. A CPUC Administrative Law Judge assigned to this proceeding will be present to listen to and take all public comments on the formal record. CPUC Commissioners may be present; however, this will not constitute a quorum for any formal voting. The facility location is wheelchair-accessible. If you need interpreters for language or for the hard of hearing, please contact the Public Advisor's Office at the numbers listed below at least five working days in advance of the meeting date:

San Diego Al Bahr Shriners Center
October 5, 2012
7:00 pm
5440 Kearny Mesa Road
San Diego, CA 92111

INFORMATION ABOUT THIS APPLICATION

On April 20, 2012, SDG&E filed its Cost of Capital (COC) Application No. A.12-04-016 (Application) with the Commission seeking approval of its proposed cost of capital for 2013. In this proceeding, the Commission determines the appropriate rate of return necessary to attract capital at reasonable rates and compensate the utility for business and financial risks. SDG&E requested adjustments to its capital structure and the authorized costs of debt, preferred stock, and return on equity. The overall rate of return is requested to decrease from 8.40% to 8.20%, and includes a decrease in the return on common equity from 11.10% to 11.00%. The company also proposes to continue use of its cost of capital automatic adjustment mechanism (with modification) through 2015, and to revise its electric and gas rates accordingly, January 1, 2013.

SDG&E's Proposed TY 2013 COC Structure

Component	Capital Ratio	Cost	Weighted Cost
Long-Term Debt	45.25%	5.09%	2.30%
Preferred Stock	2.75%	6.35%	0.18%
Common Equity	52.00%	11.00%	5.72%
Rate of Return (ROR)			8.20%

SDG&E's Currently Authorized COC Structure

Component	Authorized Capital Ratio	Authorized Cost	Weighted Cost
Long-Term Debt	45.25%	5.62%	2.54%
Preferred Stock	5.75%	7.25%	0.42%
Common Equity	49.00%	11.10%	5.44%
Rate of Return (ROR)			8.40%

ILLUSTRATIVE IMPACT ON ELECTRIC RATES AND BILLS

If the CPUC approves SDG&E's request, a typical non-CARE residential customer living in the inland climate zone and using 500 kilowatt-hours per month could see a monthly summer bill decrease of 0.1%, or \$0.09. A typical monthly electric bill could decrease from \$81.15 to \$81.06. The percentages shown do not necessarily reflect the changes that you may see on your bill. Changes in individual bills will also depend on how much electricity each customer uses.

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

Customer Class	7/1/2012 Class Average Rates	Class Average Rates Reflecting Proposed Revenue Changes	Total Rate Change	Percentage Rate Change
Residential	17.504	17.458	(0.046)	-0.26%
Small Commercial	16.926	16.890	(0.036)	-0.21%
Medium and Large C&I*	13.534	13.510	(0.024)	-0.18%
Agriculture	16.447	16.411	(0.036)	-0.22%
Lighting	14.569	14.544	(0.025)	-0.17%
System Total	15.339	15.305	(0.034)	-0.22%

* C&I stands for Commercial and Industrial

ILLUSTRATIVE IMPACT ON GAS RATES AND BILLS

In this Application, SDG&E proposes a decrease in overall gas transportation revenues of \$0.76 million, or 0.31%. This overall decrease would only apply to the transportation component of a total gas bill. A summary of the proposed rates for the various customer classes for 2013 are shown below:

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

Customer Class	1/1/2012 Present Rates	Proposed Rates for 2013	¢/th Change	Percentage Rate Change
Residential (Core)*	59.205	59.011	-0.194	-0.33%
Average Residential Bill \$/month	\$36.38	\$36.32	-\$0.06	-0.16%
Commercial/Industrial (Core)*	19.144	19.085	-0.059	-0.31%
Noncore Distribution Level Service**				
Commercial/Industrial	12.163	12.136	-0.027	-0.22%
Electric Generation	2.908	2.904	-0.004	-0.13%
Transmission Level Service***	1.720	1.717	-0.003	-0.15%
Backbone Transmission Service****	11.042	11.042	0.000	0.00%

* Core customers generally use smaller quantities of gas and the Utility purchases their gas.

** Noncore customers are generally large gas users who purchase their own natural gas supplies for SDG&E to transport.

*** Transmission Level Service is for noncore service on the Local Transmission System from the SoCalGas Citygate.

**** Backbone Transmission Service are rights that customers may purchase to transport gas over the backbone system to the SoCalGas Citygate. Core customers who purchase gas supplies from SDG&E will have this charge included in the gas commodity rate. Customers that do not purchase gas supplies from SDG&E may purchase these rights directly from SoCalGas*.

(Continued on back)