

**SAN DIEGO GAS & ELECTRIC COMPANY  
NOTICE OF PALOMAR POWER PLANT  
COST RECOVERY APPLICATION  
APPLICATION NO. A.04-11-003**

On November 1, 2004, San Diego Gas & Electric Company (SDG&E) filed a request with the California Public Utilities Commission (CPUC) for approval of a plan that allows SDG&E to be compensated for the costs of owning and operating the Palomar 550 MW combined cycle generation facility (the "Power Plant"). The application seeks approval of a revenue requirement and a variable operating and maintenance (O&M) rate that would take effect at the time the Power Plant is put into commercial operation, which is anticipated to be in the late Spring/early Summer of 2006.

In its application SDG&E is not proposing a rate change. SDG&E is seeking to add the revenue requirement and O&M rate as components of SDG&E's electric commodity rate. The revenue requirement and O&M rate could cause a small change to SDG&E's electric commodity rate, depending on the cost of power that SDG&E otherwise would have purchased absent power from the Power Plant. However, at this time, SDG&E cannot predict the cost of the power that will be displaced by the power from the Power Plant.

Utility charges on your bill are for transmission and distribution services, and energy charges. Only a part of the energy charges are at issue in this application. On an annual basis, SDG&E's cost recovery plan for the Power Plant would result in costs of approximately \$102,159,000, excluding the cost of fuel for the Power Plant.

To illustrate the relative magnitude of the potential rate changes caused by SDG&E's proposed revenue requirement, proposed O&M non-fuel rate, and projected fuel costs, but not for the purpose of predicting changes in rates, the hypothetical rate changes to SDG&E's present rates caused solely by differing costs of displaced power that SDG&E would otherwise have to purchase if not for the Power Plant is as follows inside.

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**San Diego Gas & Electric Company - Electric Department**  
**Current Class Average Rates Modified by the Difference Between the Future Cost of Power**  
**From the Power Plant and the Cost of the Power Displaced by the Power Plant**

	Existing Class Average Rates (c/kwh)	Class Average Rates if Displaced Power Was 10% More Expensive (c/kwh)	Percent Change in Rates %	Class Average Rates if Displaced Power was 10% Less Expensive (c/kwh)	Percent Change in Rates %	Class Average Rates if Displaced Power Costs the Same (c/kwh)	Percent Change in Rates %
Residential <sup>1</sup>	14.953	14.904	-0.3	15.002	0.3	14.953	0
Small Commercial	17.424	17.242	-1.0	17.606	1.0	17.424	0
Med. & Large C&I	11.813	11.631	-1.5	11.995	1.5	11.813	0
Agriculture	15.589	15.407	-1.2	15.771	1.2	15.589	0
Lighting	18.254	18.072	-1.0	18.436	1.0	18.254	0
System Total	13.761	13.636	-0.9	13.886	0.9	13.761	0

<sup>1</sup> 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.

**THE CPUC WELCOMES YOUR COMMENTS  
AND PARTICIPATION**

Before acting on our application, the CPUC may hold evidentiary hearings to examine evidence and hear testimony presented by SDG&E and any other interested parties, including the CPUC's Office of Ratepayer Advocates (ORA). After considering all evidence presented, the CPUC will issue a decision. The CPUC may approve a revenue requirement for the Power Plant that differs from our request. It is unknown at this time whether the proposed revenue requirement will result in any rate changes and, if so, the magnitude of those changes.

The evidentiary hearings are open to the public, but only those wishing to present evidence or cross-examine witnesses may directly participate in the hearing process. If you wish to participate in the evidentiary hearings and need advice on how to do so, or if you would like information on the location and schedule of the hearings, please write to the CPUC's Public Advisor at the following address: Public Advisor, California Public Utilities Commission, 320 West 4th St., Suite 500, Los Angeles, CA 90013, or by e-mail to [public.advisor.la@cpuc.ca.gov](mailto:public.advisor.la@cpuc.ca.gov).

As part of its decision-making process, the CPUC is also interested in your comments. You may submit written comments to: CPUC, Public Advisor's Office, 320 West Fourth Street, Suite 500, Los Angeles, CA 90013, or e-mail to [public.advisor.la@cpuc.ca.gov](mailto:public.advisor.la@cpuc.ca.gov). Please mention that you are writing about SDG&E Application (A.04-11-003). Your comments will be circulated to the five Commissioners, the assigned administrative law judge, the appropriate Commission staff assigned to this proceeding. In addition, your comments will become part of the formal correspondence file available to the full Commission as they decide this application.

The Public Advisor's Office was established to assist members of the public who want to participate in Commission proceedings. If you would like more information on participating, please contact the Public Advisor at the address shown above. If you have a question or need further information about participating, please state in your letter that you would like a response. Otherwise, no reply will be sent.

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## FOR FURTHER INFORMATION

Specific questions concerning this application may be directed to James Ozenne, Regulatory Case Administrator, 555 West Fifth Street, Los Angeles, CA 90013. SDG&E will provide a copy of the application, including the public testimony, upon request. A copy of the application and any amendments also may be inspected at the Sempra Energy headquarters, located at 101 Ash Street, San Diego, CA 92101 or at the SDG&E business offices listed below:

436 H Street  
Chula Vista, CA 91910-4308

2405 Plaza Boulevard  
National City, CA 91950-5101

336 Euclid Avenue  
Suite 502  
San Diego, CA 92113-3645

2nd and Ash Street  
San Diego, CA 92101

4340 Genesee Avenue  
Suite 103  
San Diego, CA 92105-5399

30763 Old Highway 80  
Pine Valley, CA 91962-4401

104 North Johnson Avenue  
El Cajon, CA 92020

320 West Mission Avenue  
Escondido, CA 92025

662 Camino De Los Mares  
San Clemente, CA 92673-2827

3910 Vista Way  
Suite 105  
Oceanside, CA 92054

SDG&E's application and attachments may also be inspected at the CPUC office located in San Diego at 1350 Front St., San Diego, CA 92101. Copies of this insert will be available for viewing and printing on the SDG&E Web site at [www.sdge.com/tariff/inserts](http://www.sdge.com/tariff/inserts).



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