

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric Company)
for Recovery of Costs related to the California)
Bark Beetle Infestation Under the Catastrophic)
Event Memorandum Account (CEMA))
_____)

Application 06-07-____

**APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) FOR RECOVERY OF COSTS
RELATED TO THE CALIFORNIA BARK BEETLE INFESTATION
UNDER THE CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)**

Carlos F. Pena
Attorney for
SAN DIEGO GAS & ELECTRIC COMPANY
101 Ash Street
San Diego, California 92101
Telephone: (619) 696-4320
Facsimile: (619) 699-5027
E-mail: Cfpena@sempra.com

July 18, 2006

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric Company)
for Recovery of Costs related to the California)
Bark Beetle Infestation Under the Catastrophic) Application 06-07-____
Event Memorandum Account (CEMA))
_____)

**APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) FOR RECOVERY OF COSTS
RELATED TO THE CALIFORNIA BARK BEETLE INFESTATION
UNDER THE CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)**

Pursuant to the Public Utilities Code Section 454.9; California Public Utilities Commission (“Commission”) Resolution No. E-3238; and the Commission’s Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”) hereby submits this application (“Application”) for recovery of costs recorded to its Catastrophic Event Memorandum Account (“CEMA”) related to the California Bark Beetle infestation.

I.

STATEMENT OF RELIEF SOUGHT

A. General Statement of Relief Sought.

The purpose of this Application is to seek Commission authority to recover approximately \$8.7 million of incremental Bark Beetle infestation related expenses incurred by SDG&E and recorded to the CEMA for the period September 1, 2004 through June 30, 2006. Further, SDG&E herein seeks approval to recover such costs by offsetting the CEMA regulatory

account with the 2006 and 2007 overcollected balance in its Tree Trimming Balancing Account (TTBA), thereby mitigating or eliminating a CEMA-related rate increase to SDG&E's electric distribution customers.

B. Overview

As a result of a prolonged drought in Southern California, combined with related insect infestations, tree mortality increased significantly in the mountainous areas of San Diego County. The high number of dead trees and the extreme fire conditions existing in these areas, prompted the Governor of California to declare a state of emergency on March 7, 2003. The counties most severely affected by the drought and the resulting insect infestations listed in the Governor's proclamation included San Diego, San Bernardino, and Riverside. Additionally, the Governor directed SDG&E, Southern California Edison and Bear Valley Electric, through Commission Resolution E-3824, to remove dead, dying and diseased trees located near overhead power lines. The sheer number of dead, dying and diseased trees created a situation that posed a potential hazard to the people and property in affected communities, many of which are served by SDG&E. In addition, the situation posed a significant hazard to SDG&E's electrical facilities that serve the affected communities.

SDG&E expended significant effort and reasonable costs in monitoring further infestations, assessing existing damage, tree clearing activities, and in implementing related Bark Beetle eradication operations designed to prevent or mitigate the potential hazards associated with the dead and diseased trees. In that regard, on September 21, 2004, SDG&E submitted Advice Letter 1623-E for recovery of \$5.9 million in Bark Beetle related CEMA costs for the April 3, 2003 through August 31, 2004 period. Resolution E-3904 approved recovery of the

expenses requested in Advice Letter 1623-E and directed SDG&E to file an application for recovery of future Bark Beetle-related expenses.

In accordance with Resolution E-3904, the instant Application seeks to recover SDG&E's recorded Bark Beetle-related CEMA costs for the period September 1, 2004 through June 30, 2006. This amount of approximately \$8.7 million includes interest through June 2006 and accounts for the additional incremental costs associated with the required large-scale clean up operations and additional tree removal. Going forward, SDG&E does not anticipate that it will incur significant future costs relating to the Bark Beetle infestation project described herein.

II.

REQUEST TO RECOVER SDG&E'S CEMA COSTS FOR THE BARK BEETLE MITIGATION PROJECT

SDG&E's Application is supported by the direct testimony of two SDG&E witnesses, Messrs. Timothy M. Knowd and Todd J. Cahill. The testimony of Mr. Knowd describes SDG&E's operations and maintenance and related activities ("O&M") associated with SDG&E's Bark Beetle infestation mitigation project (the "Project") and the costs incurred since the time of the prior recovery period. Mr. Cahill's testimony discusses SDG&E's cost recovery proposal and the reasonableness of the requested rate treatment to recover such costs. The sponsoring witnesses' testimony is summarized below.

A. SDG&E Appropriately Mitigated its Bark Beetle Infestation

As Mr. Knowd's testimony aptly demonstrates, the Project scope was extensive and proper Bark Beetle infestation related mitigation plans required SDG&E to perform a complex series of operations and maintenance activities including planning, organizing, managing and administering a wide array of tasks, materials, equipment, employees, contractors and interested

agencies in order to cover over 325 miles of SDG&E overhead distribution lines serving customers throughout the affected areas.

SDG&E utilized existing internal and external resources wherever reasonably practicable. Mr. Knowd's testimony cites numerous outside agencies and organizations that SDG&E engaged to address the vast and complex logistical challenges associated with mitigating damage resulting from the Bark Beetle infestation. SDG&E's strategy of promptly and continuously scoping the work, mobilizing the necessary resources and partnering with other lead agencies fully addressed the complex challenges resulting from the Bark Beetle infestation at a reasonable cost.

B. SDG&E's CEMA Accounting for Bark Beetle Related Costs is Reasonable

SDG&E's request for authorization to recover approximately \$8.7 million in incremental bark beetle O&M costs recorded to SDG&E's CEMA from September 1, 2004 through June 30, 2006 is consistent with SDG&E's prior request for recovery of costs that this Commission previously approved in Resolution E-3904. As Mr. Knowd's testimony demonstrates, SDG&E's O&M activity and the CEMA recorded costs associated with those activities are likewise reasonable. All costs recorded to the Bark Beetle CEMA are incremental costs which are not currently being recovered through SDG&E's electric rates. Accordingly, SDG&E's request to recover such costs should be approved.

C. SDG&E's Proposed Rate Treatment Mitigates Any Rate Impacts

SDG&E requests a rate treatment of its Bark Beetle related CEMA cost recovery that will serve to mitigate any impact to rates. As explained in Mr. Cahill's testimony, SDG&E proposes to mitigate any resulting rate impacts by offsetting its requested Bark Beetle related CEMA cost recovery with the expected over-collected Tree Trimming Balancing Account (TTBA) balance at year-end 2006 and 2007. It is expected that applying the 2006 and 2007 TTBA overcollection

to the Bark Beetle CEMA balance will remove any need for a related increase to SDG&E's electric distribution rates.

III.

STATUTORY AND PROCEDURAL REQUIREMENTS

A. Category, Need for Hearing, Issues, and Schedule – Rule 6(a)(1)

While SDG&E does not expect an impact to rates due to the offsetting treatment discussed in this Application, SDG&E proposes that this proceeding be categorized as “ratesetting” because the requested relief may have a future effect on rates if the regulatory accounting treatment sought herein is disallowed or SDG&E is not otherwise able to fully offset the costs recorded in its Bark Beetle infestation CEMA with the balance in its TTBA.

The issue to be considered in this proceeding is whether SDG&E should be allowed to recover Bark Beetle-related CEMA costs and related expenses as further discussed in this Application and whether the associated accounting treatment should be authorized. Because the Commission has previously approved a similar request for CEMA recorded, Bark Beetle-related cost recovery in a prior period and SDG&E's prepared written testimony fully and sufficiently supports the relief requested herein, SDG&E does not request a hearing and does not believe that a hearing is required as the issues can be addressed through written filings according to the schedule proposed below. If hearings are nevertheless held, then SDG&E requests that they be convened according to a schedule that will allow for a final decision as expeditiously as possible.

The issues to be considered in this proceeding are more fully described above in Section I.

SDG&E proposes the following procedural schedule for this Application:

<u>EVENT</u>	<u>DATE</u>
Application Filed	July 18, 2006
Protests and Responses to Application	30 days after filing application
Reply to Protests/responses	10 days after filing of protests
Service of Intervenor Prepared Testimony	September 18, 2006
Service of Rebuttal Testimony	October 6, 2006
Opening Brief	October 20, 2006
Reply Brief	October 27, 2006
Proposed Decision Issued	January 5, 2007
Comments on Proposed Decision	January 25, 2007
Reply Comments on Proposed Decision	January 30, 2007
Commission Decision	February 2007

B. Authority, Corporate Information, and Correspondence – Rule 15

This Application is made pursuant to Sections 377, 451, 463.5, 701, 729, *et al.* of the California Public Utilities Code, the Commission’s Rules of Practice and Procedure and relevant decisions, orders and resolutions of the Commission. SDG&E’s full name is San Diego Gas and Electric Company and its principal place of business is 8306 Century Park, San Diego, California, 92123.

Correspondence or communications in connection with this Application should be addressed to:

Gina Dixon
 Regulatory Case Manager
 San Diego Gas & Electric Company
 8330 Century Park Court, CP32D
 San Diego, California 92123
 Telephone: 858-654-1782
 Facsimile: (858) 654-1788
 E-mail: GDixon@semprautilities.com

A copy should also be sent to:

Carlos F. Pena
Attorney
Sempra Energy Law Department
101 Ash Street
San Diego, California 92101
Telephone: (619) 696-4320
Facsimile: (619) 699-5027
E-mail: Cfpena@sempra.com

C. Articles of Incorporation – Rule 16(a)

SDG&E has previously filed a certified copy of its Restated Articles of Incorporation with Application No. 97-12-012, and is incorporated herein by reference.

D. Balance Sheet and Income Statement – Rule 23(a)

Attachment A to this Application contains SDG&E's Balance Sheet as of March 31, 2006. Attachment B to this Application contains SDG&E's Income Statement for the period ended March 31, 2006, the most recent period available.

E. Rates – Rules 23(b) and 23(c)

As described in Attachment C, due to the offsetting treatment of the CEMA account balance with the balance maintained in the TTBA, SDG&E does not expect an impact to rates from this Application. However, to the extent that the Commission rejects the proposed regulatory account treatment, or the amounts in the TTBA do not fully offset the CEMA recorded costs, then SDG&E would seek appropriate rate treatment at that time.

F. Property and Equipment – Rule 23(d)

A general description of SDG&E's property and equipment was previously filed with the Commission on October 5, 2001 in connection with SDG&E's Application No. 01-10-005 and is

incorporated herein by reference. A statement of account of the original cost and depreciation reserve for the period ending March 31, 2006 is attached to this Application as Attachment D.

G. Summary of Earnings – Rules 23(e) and 23(f)

Attachment E to this Application is a Summary of Earnings for the period ending March 31, 2006.

H. Exhibits and Readiness – Rule 23(g)

SDG&E's submission in support of this Application include the following attachments, which are incorporated by reference:

Attachments to Application

Attachment A	Balance Sheet
Attachment B	Statement of Income
Attachment C	Statement of Presently Effective Rates and Proposed Changes
Attachment D	Statement of Original Cost and Depreciation Reserve
Attachment E	Summary of Earnings

I. Depreciation – Rule 23(h)

For financial statement purposes, SDG&E has computed depreciation of utility plant on a straight-line remaining life basis at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SDG&E generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on property additions after 1954 and

prior to 1981. For financial reporting and rate purposes, "flow through accounting" has been adopted for such properties.

For property additions in years 1981 through 1986, SDG&E has computed tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SDG&E has computed tax depreciation using the Modified Accelerated Cost Recovery Systems, and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

J. Proxy Statement – Rule 23(i)

SDG&E's latest proxy statement was filed with the Commission on May 2, 2005 in connection with SDG&E Application No. 05-05-003 and is incorporated herein by reference.

K. Pass Through of Costs – Rule 23(l)

Due to the offsetting treatment of the CEMA account balance with the balance maintained in the TTBA, SDG&E does not expect an impact to electric distribution rates from this Application. However, to the extent that the Commission rejects the proposed regulatory account treatment, or the amounts in the TTBA do not fully offset the CEMA recorded costs, then SDG&E would seek to recover CEMA costs through the distribution portion of customers' electric rates.

L. Service and Notice – Rule 24

SDG&E is serving this Application on all parties to A.04-06-035. Within ten days of filing, SDG&E will mail notice of this Application to the State of California and to cities and counties served by SDG&E, and SDG&E will post the notice in its offices and publish the notice

in newspapers of general circulation in each county in its service territory. In addition, SDG&E will include notices with the regular bills mailed to all customers affected by its proposal.

M. Compliance with Rule 17.2

In accordance with Rule 17.2 of the Commission’s Rules of Practice and Procedure, SDG&E requests the Commission to find that the relief requested by SDG&E in this Application is exempt from CEQA because no further environmental review is necessary.¹

IV.

CONCLUSION

For the reasons set forth above, SDG&E respectfully requests that the Commission specifically find that a) its Bark Beetle infestation related CEMA recorded costs are reasonable; b) approve SDG&E’s proposal to recover its Bark Beetle infestation related CEMA costs totaling approximately \$8.7 million; and, c) authorize the regulatory accounting treatment offsetting SDG&E’s Bark Beetle infestation related CEMA costs with the expected over-collected TTBA balance at year-end 2006 and 2007, all as more fully discussed herein.

/

/

/

/

/

/

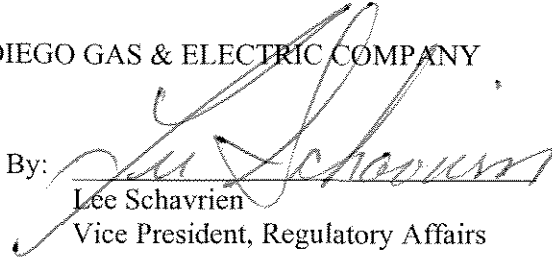
/

¹ Because this Application is not subject to CEQA, SDG&E requests that the Commission treat the relief requested herein as a motion under Rule 17.2 of the Commission’s Rules of Practice and Procedure for a determination of the non-applicability of CEQA. *See, e.g.*, D.05-03-021, *Mimeo* at page 3 and D.05-11-027, *Mimeo* at page 10.

Respectfully submitted,


SAN DIEGO GAS & ELECTRIC COMPANY

By:



Lee Schavrien
Vice President, Regulatory Affairs

By:



Carlos F. Pena

Carlos F. Pena
Attorney for
San Diego Gas & Electric Company
101 Ash Street
San Diego, California 92101
Telephone: (619) 696-4320
Facsimile: (619) 699-5027
E-mail: cfpena@sempra.com

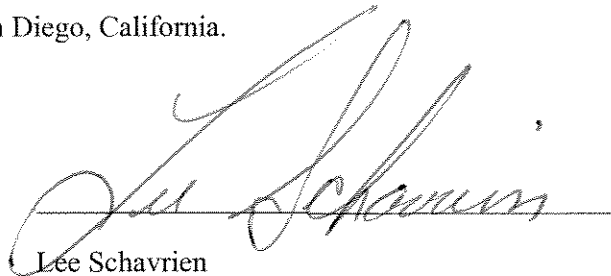
July 18, 2006

VERIFICATION

I, Lee Schavrien, am an officer of San Diego Gas & Electric Company, and I am authorized to make this verification on its behalf. The contents of this Application are true of my own knowledge, except as to matters that are stated on information and belief; and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed July 18, 2006, at San Diego, California.



Lee Schavrien

Vice President, Regulatory Affairs

SAN DIEGO GAS & ELECTRIC COMPANY

Attachment A

Balance Sheet

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2006

1. UTILITY PLANT

2006

101	UTILITY PLANT IN SERVICE	\$7,094,864,943
102	UTILITY PLANT PURCHASED OR SOLD	469,088,362
105	PLANT HELD FOR FUTURE USE	37,013
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	165,873,080
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(3,585,059,352)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(177,767,092)
118	OTHER UTILITY PLANT	475,435,333
119	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT	(128,509,062)
120	NUCLEAR FUEL - NET	<u>29,002,183</u>

TOTAL NET UTILITY PLANT

4,342,965,408

2. OTHER PROPERTY AND INVESTMENTS

121	NONUTILITY PROPERTY	3,913,610
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(1,575,359)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	3,290,000
124	OTHER INVESTMENTS	-
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	<u>653,868,605</u>

TOTAL OTHER PROPERTY AND INVESTMENTS

659,496,856

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2006

3. CURRENT AND ACCRUED ASSETS

	<u>2006</u>
131 CASH	14,962,051
132 INTEREST SPECIAL DEPOSITS	-
134 OTHER SPECIAL DEPOSITS	-
135 WORKING FUNDS	84,539
136 TEMPORARY CASH INVESTMENTS	-
141 NOTES RECEIVABLE	-
142 CUSTOMER ACCOUNTS RECEIVABLE	163,593,896
143 OTHER ACCOUNTS RECEIVABLE	75,623,234
144 ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(2,326,498)
145 NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	-
146 ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	60,649,365
151 FUEL STOCK	-
152 FUEL STOCK EXPENSE UNDISTRIBUTED	-
154 PLANT MATERIALS AND OPERATING SUPPLIES	49,489,516
156 OTHER MATERIALS AND SUPPLIES	(14,903)
163 STORES EXPENSE UNDISTRIBUTED	-
164 GAS STORED	17,271,041
165 PREPAYMENTS	11,230,736
171 INTEREST AND DIVIDENDS RECEIVABLE	16,582,068
173 ACCRUED UTILITY REVENUES	47,631,000
174 MISCELLANEOUS CURRENT AND ACCRUED ASSETS	62,169,680
175 DERIVATIVE INSTRUMENT ASSETS	<u>1,617,080</u>
TOTAL CURRENT AND ACCRUED ASSETS	<u>518,562,805</u>

4. DEFERRED DEBITS

181 UNAMORTIZED DEBT EXPENSE	16,178,197
182 UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,365,463,429
183 PRELIMINARY SURVEY & INVESTIGATION CHARGES	7,359,989
184 CLEARING ACCOUNTS	(390,442)
185 TEMPORARY FACILITIES	-
186 MISCELLANEOUS DEFERRED DEBITS	15,870,117
188 RESEARCH AND DEVELOPMENT	-
189 UNAMORTIZED LOSS ON REACQUIRED DEBT	40,708,664
190 ACCUMULATED DEFERRED INCOME TAXES	<u>143,964,054</u>
TOTAL DEFERRED DEBITS	<u>1,589,154,008</u>

TOTAL ASSETS AND OTHER DEBITS 7,110,179,077

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2006

5. PROPRIETARY CAPITAL

	<u>2006</u>
201 COMMON STOCK ISSUED	\$291,458,395
204 PREFERRED STOCK ISSUED	78,475,400
207 PREMIUM ON CAPITAL STOCK	592,222,753
210 GAIN ON RETIRED CAPITAL STOCK	-
211 MISCELLANEOUS PAID-IN CAPITAL	279,618,042
214 CAPITAL STOCK EXPENSE	(25,990,045)
216 UNAPPROPRIATED RETAINED EARNINGS	606,783,554
219 ACCUMULATED OTHER COMPREHENSIVE INCOME	<u>(14,051,290)</u>
TOTAL PROPRIETARY CAPITAL	<u>1,808,516,809</u>

6. LONG-TERM DEBT

221 BONDS	1,136,905,000
223 ADVANCES FROM ASSOCIATED COMPANIES	41,771,986
224 OTHER LONG-TERM DEBT	269,970,000
225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	<u>(1,242,477)</u>
TOTAL LONG-TERM DEBT	<u>1,447,404,509</u>

7. OTHER NONCURRENT LIABILITIES

227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	-
228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	24,974,055
228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	3,043,974
228.4 ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	(7,550)
230 ASSET RETIREMENT OBLIGATIONS	<u>468,032,945</u>
TOTAL OTHER NONCURRENT LIABILITIES	<u>496,043,424</u>

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2006

8. CURRENT AND ACCRUED LIABILITES

	<u>2006</u>
231 NOTES PAYABLE	61,000,000
232 ACCOUNTS PAYABLE	256,584,918
233 NOTES PAYABLE TO ASSOCIATED COMPANIES	65,800,000
234 ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	11,234,621
235 CUSTOMER DEPOSITS	53,241,472
236 TAXES ACCRUED	78,963,483
237 INTEREST ACCRUED	21,774,911
238 DIVIDENDS DECLARED	1,204,917
241 TAX COLLECTIONS PAYABLE	1,231,796
242 MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	169,601,790
243 OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	-
244 DERIVATIVE INSTRUMENT LIABILITIES	481,584,040
245 DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	<hr/>
TOTAL CURRENT AND ACCRUED LIABILITIES	<u>1,202,221,948</u>

9. DEFERRED CREDITS

252 CUSTOMER ADVANCES FOR CONSTRUCTION	27,637,094
253 OTHER DEFERRED CREDITS	387,433,108
254 OTHER REGULATORY LIABILITIES	987,451,484
255 ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	33,495,458
257 UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281 ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	5,201,256
282 ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	497,596,974
283 ACCUMULATED DEFERRED INCOME TAXES - OTHER	217,177,013
	<hr/>
TOTAL DEFERRED CREDITS	<u>2,155,992,387</u>

TOTAL LIABILITIES AND OTHER CREDITS \$7,110,179,077

(\$0)

Attachment B

Statement of Income

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2006

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		\$722,126,211
401	OPERATING EXPENSES	\$510,156,535	
402	MAINTENANCE EXPENSES	33,674,254	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	66,950,898	
408.1	TAXES OTHER THAN INCOME TAXES	12,905,732	
409.1	INCOME TAXES	44,670,777	
410.1	PROVISION FOR DEFERRED INCOME TAXES	7,974,238	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(17,369,037)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(587,051)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		658,376,346
	NET OPERATING INCOME		63,749,865

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(288,510)	
418	NONOPERATING RENTAL INCOME	219,757	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	6,138,974	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	2,403,985	
421	MISCELLANEOUS NONOPERATING INCOME	168,743	
421.1	GAIN ON DISPOSITION OF PROPERTY	41,429	
	TOTAL OTHER INCOME	8,684,378	
421.2	LOSS ON DISPOSITION OF PROPERTY		
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(362,560)	
	TOTAL OTHER INCOME DEDUCTIONS	(362,560)	
408.2	TAXES OTHER THAN INCOME TAXES	117,469	
409.2	INCOME TAXES	(784,173)	
410.2	PROVISION FOR DEFERRED INCOME TAXES	741,348	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	0	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	74,644	
	TOTAL OTHER INCOME AND DEDUCTIONS		8,247,174
	INCOME BEFORE INTEREST CHARGES		71,997,039
	NET INTEREST CHARGES*		23,817,246
	NET INCOME		\$48,179,793

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION, (1,071,705)

**SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2006**

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$559,808,678
NET INCOME (FROM PRECEDING PAGE)	48,179,793
DIVIDEND TO PARENT COMPANY	0
DIVIDENDS DECLARED - PREFERRED STOCK	(1,204,917)
OTHER RETAINED EARNINGS ADJUSTMENTS	<u>0</u>
RETAINED EARNINGS AT END OF PERIOD	<u><u>\$606,783,554</u></u>

Attachment C

Statement of Presently Effective Rates and Proposed Changes

SDG&E proposes to mitigate any resulting rate impacts by offsetting its requested Bark Beetle related CEMA cost recovery with the expected over-collected Tree Trimming Balancing Account (TTBA) balance at year-end 2006 and 2007. It is expected that applying the 2006 and 2007 TTBA overcollection to the Bark Beetle CEMA balance will remove any need for a related increase to SDG&E's electric distribution rates.

Due to the offsetting treatment of the CEMA account balance with the balance maintained in the TTBA, SDG&E does not expect an impact to rates from this Application. However, to the extent that the Commission rejects the proposed regulatory account treatment, or the amounts in the TTBA do not fully offset the CEMA recorded costs, then SDG&E would seek appropriate rate treatment at that time.

Attachment D

Statement of Original Cost and Depreciation Reserve

SAN DIEGO GAS & ELECTRIC COMPANY
COST OF PROPERTY AND
DEPRECIATION RESERVE APPLICABLE THERETO
AS OF MARCH 31, 2006

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
ELECTRIC DEPARTMENT			
302	Franchises and Consents	\$ 222,841	\$ 202,900
303	Misc. Intangible Plant	24,124,395	16,899,410
	TOTAL INTANGIBLE PLANT	24,347,236	17,102,310
310.1	Land	46,518	46,518
310.2	Land Rights	0	0
311	Structures and Improvements	8,125,342	8,125,342
312	Boiler Plant Equipment	10,633,963	15,228,083
314	Turbogenerator Units	7,484,308	7,484,308
315	Accessory Electric Equipment	2,172,934	2,172,934
316	Miscellaneous Power Plant Equipment	239,053	239,053
	Steam Production Decommissioning	0	0
	TOTAL STEAM PRODUCTION	28,702,119	33,296,239
320.1	Land	0	0
320.2	Land Rights	283,677	283,677
321	Structures and Improvements	267,599,170	265,141,021
322	Boiler Plant Equipment	393,571,684	393,571,684
323	Turbogenerator Units	135,444,115	135,444,115
324	Accessory Electric Equipment	166,879,502	166,714,946
325	Miscellaneous Power Plant Equipment	232,595,999	197,030,752
107	ICIP CWIP	0	6,017,657
	TOTAL NUCLEAR PRODUCTION	1,196,374,148	1,164,203,853
340.1	Land	143,476	0
340.2	Land Rights	2,428	2,428
341	Structures and Improvements	2,161,477	61,279
342	Fuel Holders, Producers & Accessories	1,358,435	38,512
343	Prime Movers	20,824,413	590,418
344	Generators	3,347,564	115,838
345	Accessory Electric Equipment	5,384,669	152,658
346	Miscellaneous Power Plant Equipment	359,058	10,179
	TOTAL OTHER PRODUCTION	33,581,521	971,313
	TOTAL ELECTRIC PRODUCTION	1,258,657,788	1,198,471,405

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
350.1	Land	\$ 21,634,193	\$ 0
350.2	Land Rights	55,541,175	8,413,908
352	Structures and Improvements	70,010,565	24,181,478
353	Station Equipment	459,211,403	116,419,549
354	Towers and Fixtures	96,037,225	71,414,230
355	Poles and Fixtures	97,272,477	38,596,086
356	Overhead Conductors and Devices	184,191,162	133,336,338
357	Underground Conduit	42,933,810	6,769,063
358	Underground Conductors and Devices	29,893,655	9,565,661
359	Roads and Trails	16,712,093	4,485,577
	TOTAL TRANSMISSION	1,073,437,758	413,181,890
360.1	Land	18,589,050	0
360.2	Land Rights	63,442,754	23,971,239
361	Structures and Improvements	3,168,708	1,859,034
362	Station Equipment	279,628,463	66,901,652
364	Poles, Towers and Fixtures	336,809,173	180,234,434
365	Overhead Conductors and Devices	272,240,855	90,726,884
366	Underground Conduit	709,470,827	274,612,907
367	Underground Conductors and Devices	913,632,128	481,546,188
368.1	Line Transformers	328,311,542	59,169,256
368.2	Protective Devices and Capacitors	23,325,975	3,826,969
369.1	Services Overhead	88,771,450	113,333,825
369.2	Services Underground	242,023,133	137,896,618
370.1	Meters	82,103,252	30,161,478
370.2	Meter Installations	39,099,115	9,728,390
371	Installations on Customers' Premises	5,980,632	8,193,969
373.1	St. Lighting & Signal Sys.-Transformers	0	0
373.2	Street Lighting & Signal Systems	23,562,305	16,810,914
	TOTAL DISTRIBUTION PLANT	3,430,159,360	1,498,973,756
389.1	Land	7,510,993	0
389.2	Land Rights	0	0
390	Structures and Improvements	28,554,474	9,248,287
392.1	Transportation Equipment - Autos	0	49,884
392.2	Transportation Equipment - Trailers	175,979	121,745
393	Stores Equipment	54,331	44,309
394.1	Portable Tools	10,907,769	3,745,100
394.2	Shop Equipment	578,489	297,845
395	Laboratory Equipment	538,457	158,027
396	Power Operated Equipment	92,162	149,134
397	Communication Equipment	91,511,255	39,482,335
398	Miscellaneous Equipment	444,689	(107,232)
	TOTAL GENERAL PLANT	140,368,598	53,189,434
101	TOTAL ELECTRIC PLANT	5,926,970,740	3,180,918,795

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
GAS PLANT			
302	Franchises and Consents	\$ 86,104	\$ 86,104
303	Miscellaneous Intangible Plant	713,559	572,834
	TOTAL INTANGIBLE PLANT	799,663	658,938
360.1	Land	0	0
361	Structures and Improvements	412,998	554,836
362.1	Gas Holders	989,283	1,012,573
362.2	Liquefied Natural Gas Holders	0	0
363	Purification Equipment	0	0
363.1	Liquefaction Equipment	0	0
363.2	Vaporizing Equipment	0	0
363.3	Compressor Equipment	558,651	612,455
363.4	Measuring and Regulating Equipment	0	0
363.5	Other Equipment	0	0
363.6	LNG Distribution Storage Equipment	407,546	330,848
	TOTAL STORAGE PLANT	2,368,477	2,510,712
365.1	Land	4,649,144	0
365.2	Land Rights	2,217,185	943,523
366	Structures and Improvements	10,838,114	6,897,725
367	Mains	121,169,918	43,097,632
368	Compressor Station Equipment	60,141,674	33,759,021
369	Measuring and Regulating Equipment	15,569,234	8,857,797
371	Other Equipment	0	0
	TOTAL TRANSMISSION PLANT	214,585,269	93,555,698
374.1	Land	102,187	0
374.2	Land Rights	7,767,289	4,585,763
375	Structures and Improvements	43,447	61,253
376	Mains	468,232,178	248,362,889
378	Measuring & Regulating Station Equipment	8,028,387	5,281,905
380	Distribution Services	222,001,254	234,164,877
381	Meters and Regulators	68,194,953	30,699,003
382	Meter and Regulator Installations	56,668,994	22,263,809
385	Ind. Measuring & Regulating Station Equipment	1,516,811	679,369
386	Other Property On Customers' Premises	0	0
387	Other Equipment	4,446,936	3,818,060
	TOTAL DISTRIBUTION PLANT	837,002,436	549,916,928

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
392.1	Transportation Equipment - Autos	\$ 0	\$ 25,503
392.2	Transportation Equipment - Trailers	76,210	76,210
394.1	Portable Tools	6,092,968	1,711,563
394.2	Shop Equipment	84,597	(5,389)
395	Laboratory Equipment	363,609	(163,165)
396	Power Operated Equipment	246,939	37,310
397	Communication Equipment	3,247,090	1,562,442
398	Miscellaneous Equipment	320,164	33,446
	TOTAL GENERAL PLANT	10,431,577	3,277,920
101	TOTAL GAS PLANT	1,065,187,421	649,920,195
COMMON PLANT			
303	Miscellaneous Intangible Plant	163,893,408	121,731,513
350.1	Land	0	0
360.1	Land	0	0
389.1	Land	5,753,073	0
389.2	Land Rights	1,872,944	27,275
390	Structures and Improvements	128,909,698	42,971,058
391.1	Office Furniture and Equipment - Other	25,152,490	9,298,385
391.2	Office Furniture and Equipment - Computer Equipm	53,560,967	24,623,441
392.1	Transportation Equipment - Autos	33,942	(338,930)
392.2	Transportation Equipment - Trailers	41,567	(97,331)
393	Stores Equipment	150,312	(201,943)
394.1	Portable Tools	168,535	(12,753)
394.2	Shop Equipment	319,947	126,607
394.3	Garage Equipment	2,634,683	444,493
395	Laboratory Equipment	2,105,877	897,467
396	Power Operated Equipment	0	(192,979)
397	Communication Equipment	85,936,091	50,199,565
398	Miscellaneous Equipment	3,083,658	824,124
118.1	TOTAL COMMON PLANT	473,617,190	250,299,993
	TOTAL ELECTRIC PLANT	5,926,970,740	3,180,918,795
	TOTAL GAS PLANT	1,065,187,421	649,920,195
	TOTAL COMMON PLANT	473,617,190	250,299,993
101 & 118.1	TOTAL	7,465,775,351	4,081,138,984
101	PLANT IN SERV-SONGS FULLY RECOVERED	\$ (1,167,685,825)	\$ (1,167,685,825)

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
101	Accrual for Retirements		
	Electric	\$ (6,367,743)	\$ (6,367,743)
	Gas	(131,556)	(131,556)
	TOTAL PLANT IN SERV-NON RECON ACCTS	<u>(6,499,299)</u>	<u>(6,499,299)</u>
	Electric	\$ 469,088,362	\$ 0
	Gas	0	0
	TOTAL PLANT PURCHASED OR SOLD	<u>469,088,362</u>	<u>0</u>
105	Plant Held for Future Use		
	Electric	37,013	0
	Gas	0	0
	TOTAL PLANT HELD FOR FUTURE USE	<u>37,013</u>	<u>0</u>
107	Construction Work in Progress		
	Electric	182,030,527	
	Gas	(900,861)	
	Common	1,610,756	
	TOTAL CONSTRUCTION WORK IN PROGRESS	<u>182,740,422</u>	<u>0</u>
108.5	Accumulated Nuclear Decommissioning		
	Electric	0	555,950,441
	TOTAL ACCUMULATED NUCLEAR DECOMMISSIONING	<u>0</u>	<u>555,950,441</u>
114	ELECTRIC PLANT ACQUISITION ADJUSTMENT	0	0
120	NUCLEAR FUEL FABRICATION	<u>42,488,366</u>	<u>28,742,769</u>
143	FAS 143 ASSETS - Legal Obligation	71,027,918	(514,433,674)
	FIN 47 ASSETS - Legal Obligation	31,886,251	13,080,288
143	FAS 143 ASSETS - Non-legal Obligation	0	(981,417,731)
	TOTAL FAS 143	<u>102,914,169</u>	<u>(1,482,771,117)</u>
	UTILITY PLANT TOTAL	<u>\$ 7,088,858,560</u>	<u>\$ 2,008,875,954</u>

Attachment E

Summary of Earnings

**SAN DIEGO GAS & ELECTRIC COMPANY
SUMMARY OF EARNINGS
THREE MONTHS ENDED MARCH 31, 2006
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	722
2	Operating Expenses	<u>658</u>
3	Net Operating Income	<u><u>64</u></u>
4	Weighted Average Rate Base	3,057
5	Rate of Return*	8.18%

*Authorized Cost of Capital

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) FOR RECOVERY OF COSTS RELATED TO THE CALIFORNIA BARK BEETLE INFESTATION UNDER THE CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)** on all known interested parties via electric mail and by mailing first class, US mail a copy thereof properly addressed to each party, according to the Service List for **A.04-06-035** as appended to the original filed with the Commission

Dated at San Diego, California, this 18th day of July, 2006.



Joe Dellosa