

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

In the Matter of San Diego Gas & Electric Company's
Application for Authorization to (1) to Participate in
the Steam Generator Replacement Project As A Co-
Owner of San Onofre Nuclear Generating Station Unit
Nos. 2 & 3 (SONGS 2 & 3) ; (2) Establish Ratemaking
For Cost Recovery; and (3) Address Other Related
Steam Generator Replacement Issues

(U 902-E)

Application No. 06-04-____

APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)

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Application No. 06-04-__

(U 902-E)

**APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
FOR APPROVAL TO PARTICIPATE IN THE STEAM GENERATOR
REPLACEMENT PROJECT AS A CO-OWNER OF SONGS UNITS 2 & 3**

I. INTRODUCTION

San Diego Gas & Electric Company ("SDG&E") respectfully requests an order from the California Public Utilities Commission ("Commission") authorizing SDG&E to participate in the steam generator replacement project ("SGRP" or "Project") as a co-owner of San Onofre Nuclear Generating Station Units 2 & 3 ("SONGS"). SDG&E's willingness to participate in the Project is the subject of a Settlement Agreement, dated April 12, 2006, between SDG&E and Southern California Edison Company ("SCE"), attached hereto as Appendix A and is incorporated herein by reference. In addition to resolving various disputes between the parties involving SONGS, the Settlement Agreement contemplates SDG&E proposing and SCE supporting two SONGS-specific ratemaking mechanisms, among others, for adoption by the Commission that are

necessary for SDG&E to participate in the SGRP. One of these mechanisms is a two-way SONGS operation and maintenance (“O&M”) balancing account intended to eliminate what has become a substantial penalty placed on SDG&E’s shareholders arising from SCE’s as-billed SONGS O&M costs, including overheads, exceeding SDG&E’s authorized SONGS O&M revenue requirements. The second of these mechanisms is a SONGS-specific return on equity (“ROE”) of 11.6% to compensate SDG&E for nuclear risks generally and SONGS risks specifically – risks that are materially greater than those involving other aspects of SDG&E’s public utility business.

SDG&E specifically requests pursuant to Rule 42 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, the Commission to:

1. Find it reasonable for SDG&E to participate in the SONGS SGRP assuming SDG&E’s ownership interest in SONGS remains at 20%.
2. Find that the reasonable cost estimate for SDG&E’s ownership share of SGRP costs is \$142 million (2004\$) consisting of \$117 million (2004\$) for replacement steam generator installation and \$25 million (2004\$) for removal and disposal of the original steam generators, including allocated overheads and excluding accumulated Allowance for Funds Used During Construction.¹ The \$142 million amount was calculated by removing SCE’s overheads from the 100% level cost estimate, taking SDG&E’s 20% share of that amount, and adding SCE’s contractual overheads and SDG&E’s A&G. A more detailed explanation of this calculation appears in the testimony of Michael Olson.

¹ This request conforms with the treatment provided SCE under D.05-12-040, Ordering Paragraph 3.

3. Establish ratemaking for SDG&E for the SGRP, specifically including the following:
- a. An increase in SONGS 2 & 3 depreciation expense recorded to SDG&E' Non-Fuel Generation Balancing Account ("NGBA") and recovered in SDG&E commodity rates (Schedule EECC, Electric Energy Commodity Costs) of \$4.4 million (2004\$) (\$22.2 million multiplied by SDG&E's 20% ownership share) beginning in January 2007 (or when the application is approved) and continuing through 2011 to provide for recovery of 20% of SDG&E's share of removal and disposal costs of the original steam generators.² SDG&E's estimated first year costs to be recovered is \$1.02 million.
 - b. Consistent with the treatment provided SCE in D.05-12-040, eventual recovery through rates of the associated revenue requirement on SDG&E's share of SGRP costs which shall not exceed SDG&E's ownership share of the maximum allowable 100% level of SGRP cost of \$782 million (2004\$) ("Maximum Allowable Amount") as adjusted for allocated overheads, inflation, and cost of capital and excluding accumulated Allowance for Funds Used During Construction.³ SDG&E's ownership share of the Maximum Allowable Amount is \$163 million (2004\$). This amount is calculated by taking SDG&E's 20% share of SGRP costs of \$142 million times 115%. This is consistent with the calculation of the Maximum Allowable Amount

² This request conforms with the treatment provided SCE under D.05-12-040, Ordering Paragraph 12.

³ This request conforms with the treatment provided SCE under D.05-12-040, Ordering Paragraph 6.

addressed above. A more detailed explanation of this calculation appears in Mr. Olson's testimony.

- c. A balancing account called the SONGS Major Additions Adjustment Clause ("SONGS MAAC") in which SDG&E will record the revenue requirements associated with its share of the steam generator installation cost for each Unit as of the date of operation of each Unit⁴ and the remaining balance, not collected under part 3.a above, of its share of removal and disposal costs of the original steam generators for each Unit as of the date removal and disposal is completed.⁵
- d. The revenue requirement recorded in the SONGS MAAC for its share of steam generator installation cost will be transferred to the NGBA for interim cost recovery on January 1 of the year following commercial operation of each Unit through an advice letter;⁶
- e. The revenue requirement recorded in the SONGS MAAC for the remaining balance described in Part 3.c above, of its share of removal and disposal costs for the original steam generators will be transferred to the NGBA for interim cost recovery on January 1 of the year following completion of the removal and disposal of the original steam generators for each Unit through an advice letter.⁷

⁴ This request conforms with the treatment provided SCE under D.05-12-040, Ordering Paragraph 7.

⁵ This request conforms with the treatment provided SCE under D.05-12-040, Ordering Paragraph 8.

⁶ This request conforms with the treatment provided SCE under D.05-12-040, Ordering Paragraph 9.

⁷ This request conforms with the treatment provided SCE under D.05-12-040, Ordering Paragraph 10.

- f. File an application for inclusion of the SGRP costs permanently in rates after completion of the SGRP.⁸
 - g. Establish a two-way balancing account applicable to all SONGS operations and maintenance (“O&M”) costs, including refueling outage O&M and SCE’s contractual overheads, billed to SDG&E under the SONGS Operating Agreement after January 1, 2007 so as to allow SDG&E to recover in rates no more and no less than the actual O&M costs billed to it by SCE.
 - h. An authorized return on equity (“ROE”) applicable solely to SDG&E’s investment in SONGS that is 11.6%, commencing on January 1, 2007 (“SDG&E’s SONGS ROE”).
3. Find that it need not undertake a further environmental review pursuant to the California Environmental Quality Act pertaining to SDG&E’s participation in the SONGS 2 & 3 SGRP.

II. SUMMARY OF REASONS FOR REQUEST

SDG&E makes these requests because:

- The Commission has found in D.04-12-040, *inter alia*, that: (1) the SGRP is needed if SONGS is to continue operating through the end of its Nuclear Regulatory Commission (“NRC”) operating license; (2) any delay beyond SCE’s proposed schedule proposed by SCE would result in more monies being spent to repair and maintain the original steam generators and storing the replacement steam generators would not result in a corresponding decrease in the cost of the SGRP; (3) the SGRP is cost

⁸ This request conforms with the treatment provided SCE under D.05-12-040, Ordering Paragraph 11.

effective for SCE; (4) it is reasonable to allow SCE to incur costs subject to reasonableness review in excess of the \$680 million (100%, 2004 \$), but to protect ratepayers D.05-12-040 imposed a maximum allowable cost of \$782 million above which SCE cannot collect costs; and (5) nothing in the Final Environmental Impact Report (“EIR”) adopted in D.05-12-040 alters the cost-effectiveness of the SGRP or preclude the ratemaking treatment found by the Commission to be reasonable.

- While SDG&E’s life-cycle economic analysis shows that the SGRP Project cost closely approximates the costs of a gas-fired CCCT alternative under the most likely mid price/cost scenarios, maintaining the fuel diversity which SONGS provides and limiting more fuel price volatility in SDG&E’s resource portfolio are important factors that make continued SDG&E 20% ownership in SONGS beneficial overall to SDG&E customers. Specifically, the wide range of \$875 million between highest and lowest scenarios in the gas-fired case is due solely to the wide range in natural gas price forecasts. This wide range is the key point in this economic analysis that leads SDG&E to conclude that participation in the SGRP as a 20% co-owner is in our customers’ best interest.
- Those measures that SDG&E proposes in this application to be effective January 1, 2007, are necessary risk mitigation for SDG&E to accept a continued ownership share in SONGS at its present 20% level and participate in the SGRP. These measures are (1) two way balancing account treatment of any SCE as-billed O&M costs, including allocated

overheads, paid by SDG&E pursuant to the Operating Agreement for amounts lesser or greater than those SONGS O&M revenue requirements that the Commission authorizes from time to time in decisions respecting SCE's and SDG&E's general rate cases; and (2) a ROE applicable solely to SDG&E's SONGS capital costs (including the SGRP) that is 11.6%.

III. IF THE RISK MITIGATION MEASURES SET FORTH IN THE SETTLEMENT AGREEMENT ARE ADOPTED SDG&E'S PARTICIPATION IN THE SONGS 2 & 3 SGRP IS NECESSARY AND COST EFFECTIVE

The Commission has already determined that the SGRP is necessary and that it is cost-effective for SCE to proceed. The sole issue in this proceeding is whether SDG&E should participate in and fund its share of the already approved SGRP.

The economic analysis results shown in SDG&E witness Mr. Schneider's testimony, demonstrates a consideration of a combination of factors involving SDG&E's generation portfolio fit, fuel diversity and ratemaking protection proposed by SDG&E in this Application. Specifically, under conservative economic assumptions in the two alternative cases involving continued SDG&E 20% ownership of SONGS together with full participation in SGRP compared with the next best alternative involving a gas-fired Combined Cycle Combustion Turbine ("CCCT"), the former alternative of continued participation in SONGS, including the SGRP, is the best option for SDG&E customers but only if the Commission adopts the risk mitigation measures set forth in the Settlement Agreement.

As Messrs. Avery and Schneider testify, SDG&E believe that maintaining the fuel diversity which SONGS provides is an important factor that makes continuation of SDG&E's 20% ownership in SONGS beneficial overall to SDG&E's customers. Gas costs are approximately 48% of the 2009-22 net present value ("NPV") costs of the Gas-Fired CCCT Case most likely scenario. Locking in those costs now would involve a premium of \$0.40/MMBtu or more. Mr. Schneider did include a conservative hedging premium in the alternative CCCT economic analysis to make the CCCT alternative comparable to the completed hedged SONGS energy costs. The \$875 million range in the CCCT scenarios represents gas price uncertainty. This price uncertainty as well as the hedging costs are important factors in making the choice for SDG&E customers of retaining ownership in SONGS and foregoing another CCCT before it is necessary.

SDG&E willingness to participate in the SGRP, as described in Mr. Avery's testimony, has from its earliest analysis showed the SGRP was marginally cost effective for SDG&E's customers and risks of further cost increases justified alternatives to our participation in the SGRP. The Settlement Agreement mitigates SDG&E's reluctance to participate in the SGRP in that it provides its participation in the SGRP is made conditionally on the Commission approving two rate mechanisms, in addition to those adopted for SCE in the SGRP Decision that SDG&E is asking the Commission to also adopt for it in this proceeding.

The first rate mechanism that SDG&E is requesting is for the Commission to adopt a Two-Way SONGS O&M Balancing Account to allow SDG&E to recover no more and no less than SCE's as-billed SONGS O&M costs, including SCE's contractual overheads.

As described in Mr. Avery's testimony, SDG&E is making this request because since 2003, SCE's as-billed O&M costs have exceeded SDG&E's authorized revenue requirement for these costs. In 2004 and 2005, SDG&E was authorized to earn \$1.3 million after tax on its investment in SONGS. However, due to increases in O&M related costs, SDG&E actually earned a negative \$36.6 million pre tax (\$21.4 million after tax) over the two year period. This equates to an average negative return on equity in SONGS of minus 353.30%.⁹ One component of this negative return is made up of Pension and Benefits related costs billed to SDG&E as a part of SCE's overheads. Under the current ratemaking regime these costs for SCE are recovered through a two-way balancing account. However, they are not balanced for SDG&E. Under the Settlement Agreement, these costs as well as all other O&M costs would be balanced.

With respect to SDG&E's concern over SCE controlling SONGS O&M costs, SCE has the ultimate power to control these costs because while SDG&E receives information from SCE and approves the budgets, SCE controls the timing of the expenditures and the amounts it feels are appropriate given the circumstances during each year, such as expenditures related to plant safety. Further, SCE is a large public utility that manages its cost expenditure across the entire company in a fashion that may affect the timing and size of expenditures at SONGS. SDG&E, on the other hand, must take SCE's as-billed costs as a given simply because SDG&E cannot exert control over these costs as it does at its wholly owned facilities because SCE is the SONGS Operating Agent. These SONGS O&M costs have proven over time to be unpredictable most recently to the degree that SDG&E has experienced substantial shareholder penalties. As Mr. Avery describes, it is therefore extremely important for SDG&E to minimize this

⁹ Approximately \$19 million remains subject to recovery in A.02-12-028 (Rehearing of D.04-12-015).

O&M cost variance risk resulting in this penalty that has served as a disincentive for SDG&E to maintain its SONGS ownership interest. For this reason, SDG&E is requesting the Commission to approve the Two-Way SONGS O&M Balancing Account to eliminate this incentive to reduce SDG&E's ownership share in SONGS – an incentive that is destructive to productive business relationships with SCE.

The Settlement Agreement demonstrates that SCE agrees to make good faith efforts to support SDG&E's involvement in SCE's budgeting process consistent with the terms of the SONGS Operating Agreement. This aspect of the settlement is important because the parties resolve to avoid acrimony that in the past has made it difficult for SDG&E to constructively participate in SCE's budget process. Given that SDG&E is able to settle our past disputes, as described in Mr. Avery's testimony, SDG&E will enjoy greater involvement in this process and SDG&E will commit more personnel and/or consulting assistance to ensure that we have a more meaningful and cooperative participation in budget preparation.

The need for a Two-Way SONGS O&M Balancing Account is consistent with other circumstances that will justify the Commission in adopting a balancing account. First, the costs are largely beyond the control of SDG&E because SCE is the SONGS Operating Agent and not SDG&E. Second, these costs are difficult to forecast accurately and indeed are unpredictable, as SDG&E had shown in SCE's SGRP Proceeding that the Commission recognized in the SGRP Decision.

The second rate mechanism that SDG&E is requesting is for the Commission to adopt a return on equity as it relates solely to SDG&E's SONGS investment of 11.6% because the nuclear power generation industry generally and SONGS specifically entail

risks that are substantially different and greater than other public utility activities. As described in Mr. Avery's testimony, this greater risk is made worse by the SGRP. This later risk exists for SDG&E's customers up to the Maximum Allowable Amount in the SGRP Decision. These general and SONGS-specific risks, simply put, are not like any other normal utility risk. While the likelihood of some untoward event occurring is slight, if that risk eventuates, then the potential cost to remedy the difficulty as well as the potentially costly purchase of replacement power would expose SDG&E's customers and shareholders to potentially to severe financial risk.

The Settlement Agreement demonstrates SCE's support of SDG&E's request for a two-way SONGS O&M Balancing Account and SDG&E's SONGS ROE of 11.6%.

IV. CEQA COMPLIANCE

The Commission need not perform additional environmental review for this Application beyond what it previously prepared for SONGS. The California Environmental Quality Act ("CEQA") does not apply to the Commission's action on this Application because this is merely a ratemaking application. In County of Amador v. El Dorado County Water Agency, 76 Cal. App. 4th 931 at 966-67 (1999), the court recognized that a categorical exemption to CEQA applies to a simple transfer of ownership of a project. Ultimately, in the County of Amador, the project was significantly modified so the exemption could not apply. In this application, SDG&E is not seeking authorization to transfer SCE's ownership share to SDG&E. SDG&E seeks only ratemaking relief to recover the costs of the SGRP project, including removal and

disposal costs of the original steam generators at SONGS 2 & 3. Ratemaking applications are exempt from CEQA.

Moreover, the Commission previously prepared a Draft Environmental Impact Report (“DEIR”) and certified a Final Environmental Impact Report (“EIR”) in compliance with the CEQA on this Project, as a whole. The Commission certified the Final EIR on September 21, 2005. Although SCE was deemed the project proponent, the regulatory proceedings and Final EIR specifically referenced SDG&E as a partial owner of SONGS. (*e.g.*, Final EIR pp. A-5 & B-6) If a lead agency grants a further approval for a project that has already received a discretionary approval, the lead agency can rely on the EIR it previously certified assuming there has been no change to the project or the circumstances under which the project was analyzed that would trigger subsequent review. (See, Pub. Res. Code § 21166; CEQA Guidelines § 15162.)¹⁰ The Project’s scope as evaluated by the Commission in SCE’s SGRP Proceeding is not changed as assessed in the CEQA analysis.

The only issue before the Commission is SDG&E’s providing funding for the SGRP. The funding percentages are not part of the “Project” to be assessed under CEQA. Again, there has been no change in the project itself or environmental impacts previously analyzed by the Commission.

Accordingly, no further review by the Commission is required under CEQA.

¹⁰ Because this Application is not subject to the CEQA, SDG&E requests the Commission to consider this 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.

V. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Statutory Authority

This Application is made pursuant to Sections 377, 451, 463.5, 701, 729, *et al.* of the Public Utilities Code of the State of California, the Commission's Rules of Practice and Procedure ("Commission Rules"), and prior decisions, orders, and resolutions of this Commission.

B. Proposed Categorization, Need For Hearings, Issues To Be Considered, Proposed Schedule – Rule 6

Commission Rule 6 requires that "any person that files an application after January 1, 1998 shall state in the application the proposed category for the proceeding, the need for hearings, the issues to be considered, and a proposed schedule."¹¹ Rule 5(c) defines "Ratesetting" proceedings as "proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities)." SDG&E proposes this application be designated as a "ratesetting" proceeding.¹² The need for hearings will depend on the degree to which other parties contest the proposals contained herein. However, because the Commission has found the SGRP to be cost-effective and directed SCE to proceed on the schedule it had proposed in A.04-02-026, SDG&E anticipates that the extent of issues herein will be substantially diminished in comparison to SCE's SGRP Proceeding. Assuming hearings will nonetheless be necessary in this proceeding, SDG&E has prepared a proposed procedural schedule reflecting what it anticipates will be a substantially less contentious proceeding, as shown below:

///

¹¹ Tit. 20, Cal. Code Regs. § 6.

¹² *Id.*

Table 1
SONGS SGRP Application

Date	Event
4/14/06	Application Filed
5/19/06 ¹³	Protests Due
6/2/06	Response to Protests
6/8/06	Prehearing Conference
6/16/06	Scoping Memo Issued
7/18/06	Interested Party Testimony Due
8/8/06	Reply Testimony Due
8/21 through 8/25/06	Evidentiary Hearings
9/11/06	Concurrent Opening Briefs Due
9/25/06	Concurrent Reply Briefs Due
11/8/06	Proposed Decision Issued
11/27/06	Comments on Proposed Decision Due
12/4/06	Reply Comments Due
12/14/06	Final Decision Issued

C. Legal Name And Correspondence – Rules 15(a) And 15(b)

SDG&E is a public utility organized and existing under the laws of the State of California. The location of SDG&E's principal place of business is 8306 Century Park Court, San Diego, California 92123. Correspondence or communications regarding this application should be addressed to:

¹³ This proposed date assumes the date of the notice of the filing of this first appears on the Daily Calendar on April 19, 2006.

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Facsimile: (858) 654-1788
E-mail: wkeilani@semprautilities.com

D. Articles Of Incorporation – Rule 16

SDG&E is a corporation created under the laws of the State of California. A certified copy of the Restated Articles of Incorporation of San Diego Gas & Electric Company presently in effect and certified by the California Secretary of State was filed with the Commission on December 4, 1997 in connection with SDG&E's Application No. 97-12-012 and is incorporated herein by reference.

E. Balance Sheet, Financial Statement And Income Statement – Rule 23(a)

Appendix B to this application contains copies of SDG&E's balance sheet as of December 31, 2005 and financial and income statements for the period ended December 31, 2005, the most recent period available.

F. Statement Of Presently Effective Rates And Proposed Changes – Rule 23(b) and Rule 23(c)

The presently effective rates proposed to be changed and the changes proposed to be made thereto are addressed in Appendix C, and is incorporated herein by reference.

SDG&E is requesting an estimated increase in its SONGS-related revenue requirement from \$89.3 million to \$90.8 million annually in 2007 (or when the application is approved), to \$121.8 million in 2011, to \$138.6 million in 2012 and a decrease to \$127.1 million in 2013. These represent an increase of less than 1 percent, when compared to total system revenues at present rates (as of February 2006).

G. Description of SDG&E's Service Territory and Utility System – Rule 23(d)

SDG&E is a gas and electrical corporation engaged principally in the business of providing electric service in portions of Orange County, and electric and gas service in portions of San Diego County, subject to the jurisdiction of the Public Utilities Commission of the State of California.

A general description of SDG&E's property and equipment was previously filed with this 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 Original Cost and Depreciation Reserve for the period ending December 31, 2005 is attached hereto as Appendix D.

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

A Summary of Earnings for 2005 and estimated earnings for the period ending December 31, 2005 is contained in Appendix E to this Application.

I. Index of Appendices to This Application – Rule 23(g)

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

Appendices To Application

Appendix A	Settlement Agreement, dated April 12, 2006, Between SDG&E and SCE
Appendix B	SDG&E's Balance Sheet, Financial Statement and Income Statement
Appendix C	Statement of Presently Effective Rates and Proposed Changes
Appendix D	Statement of Original Cost and Depreciation Reserve
Appendix E	Summary of Earnings
Appendix F	List of Counties and Municipalities Served by SDG&E

J. Depreciation – Rule 23(h)

For financial statement purposes, depreciation of utility plant has been computed 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 tax property additions after 1954 and prior to 1981. For financial reporting and rate-fixing purposes, “flow through accounting” has been adopted for such

properties. For tax property additions in years 1981 through 1986, SDG&E has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SDG&E has computed its 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.

K. Capital Stock and Proxy Statement – Rule 23(i)

A copy of Applicant's most recent proxy statement was attached to Applicant's Annual Earnings Assessment Proceeding, Application No. 05-05-003, filed with this Commission on May 2, 2005, and is incorporated herein by reference.

L. Type of Rate Change Requested – Rule 23(l)

Rule 23(l) requires the applicant to state whether its request is limited to passing through to customers "only increased cost to the corporation for services or commodities furnished by it." SDG&E's Application requests recovery of depreciation reserve for SONGS 2 & 3 sufficient to provide recovery of 20% of SDG&E's ownership share of removal and disposal costs associated with original steam generators at SONGS 2 & 3. SDG&E further requests that the Commission authorize a return on the equity component of its capital investment in SONGS at 11.6%. In that sense, SDG&E's request in this proceeding is not limited to passing through to customers "only increased costs to the corporation for the services or commodities furnished by it."

M. Service of Notice and Service of Application – Rule 24

A list of the cities and counties affected by the rate changes resulting from this application is attached as Appendix F. The State of California is also an SDG&E customer whose rates would be affected by the proposed revisions.

As provided in Rule 24, notice of filing of this application will be: (1) mailed to the appropriate officials of the state and the counties and cities listed in Appendix F; (2) published in a newspaper of general circulation in each country in SDG&E's service territory within which the rate changes would be effective; and (3) included with the regular bills mailed to all customers affected by the proposed changes.

N. 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 than previously completed in SCE's SGRP Proceeding is necessary.¹⁴

VI. CONCLUSION

SDG&E respectfully asks the Commission to no later than December 31, 2006, authorize SDG&E to participate in the replacement of the SONGS steam generators based on SDG&E's 20% ownership interest in SONGS and to issue its decision:

- a) Finding that it is reasonable for SDG&E to participate in the SONGS SGRP assuming SDG&E ownership interest in SONGS remains at 20%;
- b) Establishing a reasonable cost estimate for SDG&E's ownership share of the SGRP of \$142 million (2004\$) consisting of \$117 million (2004\$) for

¹⁴ Because this Application is not subject to the CEQA, SDG&E requests the Commission to treat the relief requested in this Application 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.

replacement steam generator installation and \$25 million (2004\$) for removal and disposal of the original steam generators, including allocated overheads and excluding accumulated Allowance for Funds Used During Construction;

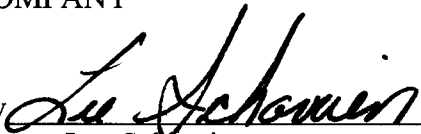
- c) Establishing an increase in SONGS 2 & 3 depreciation expense recorded to SDG&E' Non-Fuel Generation Balancing Account ("NGBA") and recovered in SDG&E commodity rates (Schedule EECC, Electric Energy Commodity Costs) of \$4.4 million (2004\$) (\$22.2 million multiplied by SDG&E's 20% ownership share) beginning in January 2007 (or when the application is approved) and continuing through 2011 to provide for recovery of 20% of SDG&E's share of removal and disposal costs of the original steam generators. SDG&E's estimated first year cost to be recovered is \$1.02 million;
- d) Authorizing eventual recovery through rates of the associated revenue requirement on SDG&E's share of SGRP costs which shall not exceed SDG&E's ownership share of the Maximum Allowable Amount 100% level of SGRP cost of \$782 million (2004\$) as adjusted for allocated overheads, inflation, and cost of capital and excluding accumulated Allowance for Funds Used During Construction. SDG&E share of the Maximum Allowable Amount is \$163 million (2004\$);
- e) Establishing a balancing account called the SONGS Major Additions Adjustment Clause SONGS MAAC in which SDG&E will record the revenue requirements associated with its share of the steam generator installation cost for each Unit as of the date of operation of each Unit and the remaining balance, not collected under part c) above, of its share of removal and disposal costs of the original steam generators for each Unit as of the date removal and disposal is completed;

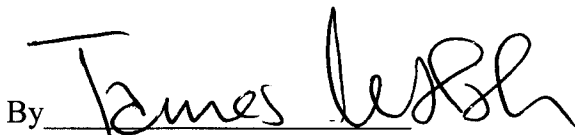
- f) Authorizing the revenue requirement recorded in the SONGS MAAC for its share of steam generator installation cost will be transferred to the NGBA for interim cost recovery on January 1 of the year following commercial operation of each Unit through an advice letter;
- g) Authoring the revenue requirement recorded in the SONGS MAAC for the remaining balance described in Part e) above, of its share of removal and disposal cost for the original steam generators will be transferred to the NGBA for interim cost recovery on January 1 of the year following completion of the removal and disposal of the original steam generators for each Unit through an advice letter;
- h) Directing SDG&E to file an application for inclusion of the SGRP costs permanently in rates after completion of the SGRP;
- i) Establishing a two-way balancing account applicable to all SONGS operations and maintenance (“O&M”) costs, including refueling outage O&M and SCE’s contractual overheads, billed to SDG&E under the SONGS Operating Agreement after January 1, 2007;
- j) Authorizing a return on equity (“ROE”) solely with respect to SDG&E’s investment in SONGS that is 11.6%, commencing on January 1, 2007;
- k) Rendering Findings of Fact and Conclusions of Law, and issuing orders consistent with the material accompanying this Application; and

- k) Rendering Findings of Fact and Conclusions of Law, and issuing orders consistent with the material accompanying this Application; and
- l) Granting such other relief as the Commission finds to be just and reasonable.

Dated this 14th day of April, 2006.

SAN DIEGO GAS & ELECTRIC
COMPANY

By 
Lee Schavrien
Vice President – Regulatory Affairs

By 
JAMES F. WALSH

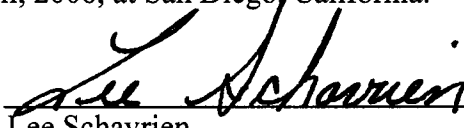
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
101 Ash Street, HQ13
San Diego, CA 92112
Telephone: (619) 699-5022
Facsimile: (619) 699-5027
E-mail: jwalsh@sempra.com

VERIFICATION

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing document are true.

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

Executed this 14th day of April, 2006, at San Diego, California.

A handwritten signature in black ink, appearing to read "Lee Schavrien", is written over a horizontal line.

Lee Schavrien

Vice President – Regulatory Affairs

SAN DIEGO GAS & ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the **APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-M) FOR APPROVAL TO PARTICIPATE IN THE STEAM GENERATOR REPLACEMENT PROJECT AS A CO-OWNER OF SONGS UNITS 2 & 3** has been served on each member of the CPUC staff and all other parties on the service list in Application No. 02-12-028 and A04-02-026 by mailing a copy thereof via U.S. Mail properly stamped and addressed.

Dated at San Diego, California, this 14th day of April 2006.

A handwritten signature in black ink, appearing to read "Deanna Porter", written over a horizontal line.

Deanna Porter

APPENDIX A

Settlement Agreement, dated April 13, 2006, Between SDG&E and SCE

SETTLEMENT AGREEMENT

Southern California Edison Company ("SCE") and San Diego Gas & Electric Company ("SDG&E") (collectively, "Parties") are parties to the Second Amended San Onofre Operating Agreement ("Operating Agreement"). The Parties are entering into this Settlement Agreement to resolve four disputes, as identified below, that are related to San Onofre Nuclear Generating Station Unit Nos. 2 and 3 ("SONGS 2 & 3").

1. RECITALS

This Agreement is made with reference to the following facts:

1.1 This Settlement Agreement addresses and resolves SDG&E's decision to opt out of the SONGS 2 & 3 Steam Generator Replacement Project ("SGRP").

(a) On February 27, 2004, SCE filed an Application with the California Public Utilities Commission ("Commission" or "CPUC") for authorization to go forward with replacement of the SONGS 2 & 3 steam generators.

(b) On June 22, 2004, SCE informed SDG&E and other SONGS 2 & 3 co-owners of an Operating Impairment at SONGS 2 & 3 caused by steam generator tube degradation. The Restoration Work to resolve this steam generator tube degradation ("SGRP Restoration Work") consists of replacement of the SONGS 2 & 3 steam generators. The costs of the SGRP Restoration Work exceeded the amount set forth in Section 16.4 of the Operating Agreement such that SDG&E could elect to have its ownership share in SONGS 2 & 3 reduced in lieu of further participation in the costs of the Restoration Work.

(c) On July 13, 2004, SDG&E notified SCE that it was opting out of participation in the SGRP Restoration Work. SDG&E elected to reduce its share in SONGS 2 & 3 based on the formula in Section 16.8 of the Operating Agreement. On October 19, 2004, SDG&E identified values for V_e and V_{op} as set forth in Section 16.8 that it asserted should be utilized to determine the

reduction of SDG&E's ownership share. SDG&E did not agree with SCE's estimate of its values.

(d) SDG&E then called for this dispute to be settled by arbitration in accordance with the provisions of Section 21 of the Operating Agreement. The arbitration was held between January 17 - 20, 2005. A decision on the arbitration was issued by the arbitrator on February 17, 2005.

(e) Pursuant to Section 16.8 of the Operating Agreement, when SDG&E is involved in such a dispute, the values of V_e and V_{op} are subject to approval by the Commission.

(f) In D.05-12-040, the Commission ordered SDG&E, within 120 days of the effective date of that decision, to file a Section 851 Application to consider the reduction of SDG&E's share of SONGS 2 & 3.

1.2 This Settlement Agreement also addresses and resolves a dispute between the Parties, as set forth below, relating to certain line items in the proposed year 2005 capital budget and/or the proposed 5-year capital forecast submitted by SCE, as Operating Agent, for approval by the SONGS 2 & 3 Board of Review ("BOR"). For reference, the line items in the proposed 5-year capital forecast that are addressed in this Settlement Agreement are attached hereto as Exhibit A.

(a) SCE's proposed year 2005 capital budget, as submitted to the BOR, included an amount for costs to be recorded during the 2005 budget year in connection with the Reactor Vessel Head ("RVH") Replacement Project. SCE's 5-year capital forecast projected additional costs for the RVH Replacement Project for the years 2006 through 2009. The 5-year capital forecast also projected that certain costs would be recorded in 2008 and/or 2009 for certain capital projects identified on Exhibit A (collectively, "Projects To Be Completed Coincident With or After SGRP Completion" or "PCCA SGRP").

(b) The RVH Replacement Project and the PCCA SGRP are currently projected to be completed and put into service either coincident with or after the completion of the SGRP.

(c) SDG&E disputed its obligation to pay for the RVH Replacement Project and the PCCA SGRP. On March 15, 2005, SDG&E informed SCE by letter that, pursuant to Section 15.10 of the Operating Agreement, it was paying under protest a portion of SONGS Capital Invoice No. 797 that included costs for the RVH Replacement Project. SDG&E has made subsequent payments related to the RVH Replacement Project under protest. Currently, SCE has not incurred costs for the PCCA SGRP and, thus, has not invoiced SDG&E for any costs with respect to such projects.

1.3 This Settlement Agreement also addresses and resolves a dispute between the Parties relating to year 2005 Operation and Maintenance (“O&M”) budget submitted by SCE, as Operating Agent, for approval by the SONGS 2 & 3 BOR.

1.4 The Settlement Agreement addresses and resolves a dispute between the Parties over SDG&E’s payment under protest related to settlement of the Ecolochem litigation which is presently scheduled for arbitration on May 17-18, 2006.

1.5 The Settlement Agreement also affirms a previous agreement between SCE and SDG&E by which SCE foregoes reimbursement by SDG&E of SDG&E’s share of its expenses to prepare its SGRP Application to the Commission – A.04-02-026.

1.6 The Parties recognize and acknowledge that they are hereby resolving the 4 disputes identified above.

2. DEFINITIONS

When used with initial capitalization in this Settlement Agreement, whether in singular or plural, the terms in this Agreement shall have the meaning stated in the Operating Agreement or as defined herein.

3. AGREEMENT

In consideration of the terms and conditions of this Settlement Agreement, the Parties agree as follows:

3.1 To resolve the dispute identified in Recital 1.1, the Parties agree that if SDG&E elects to participate in the SGRP, SDG&E will notify SCE of its intention to so elect within 10 days of a final Commission decision on its Application, and will do the following:

(a) SDG&E will withdraw its letter dated July 13, 2004, opting out of participation in SGRP.

(b) SDG&E will participate in SGRP in good faith and will not disapprove annual capital budgets based on the level of SGRP capital costs so long as they are consistent with the \$680 million set forth in Commission Decision, D.05-12-040, on SCE's Steam Generator Replacement Application to the Commission. To the extent capital budget for the SGRP exceeds \$680 million but is below \$782 million, SCE shall provide SDG&E detailed documentation as to the reasonableness of such budget and SDG&E will not withhold approval of the annual capital budget based on the level of SGRP costs.

(c) SCE will bill SDG&E for its twenty percent (20%) share of all SGRP costs incurred on or before the date SCE sends the bill, plus interest thereon computed at the applicable SDG&E authorized Allowance for Funds Used During Construction (AFUDC) rate as of the effective date of the decision, calculated on a daily basis from the date SCE incurred costs until the date

payment is received. SDG&E will pay this bill within 15 days of the date it is received. SDG&E agrees not to challenge or dispute the charges incurred to date.

(d) SDG&E agrees that it will not seek to reinstate its letter of July 13, 2004 and/or to opt out of SGRP again.

3.2 To resolve the dispute described in Recital 1.2, the Parties agree:

(a) Within 10 days of a notification by SDG&E to SCE to participate referenced in Section 3.1 above, SDG&E will withdraw its protests to payments of the portion of SONGS Capital Invoice No. 797 and all subsequent invoices that include costs for the RVH Replacement Project.

(b) SDG&E will agree to approve SCE's proposed Year 2005 Capital Budget submitted for approval to the SONGS 2 & 3 BOR as soon as possible after signing of this Settlement Agreement.

(c) SDG&E will further agree to approve SCE's proposed Year 2006 Capital Budget as soon as possible after signing of this Settlement Agreement.

3.3 To resolve the dispute described in Recital Section 1.3, the Parties agree that, as soon as possible after signing of this Settlement Agreement, SDG&E will approve SCE's proposed Year 2005 O&M budget and SCE's proposed Year 2006 O&M budget.

3.4 To resolve the dispute described in Recital Section 1.4, the Parties agree that:

(a) SDG&E will withdraw its payment under protest and request for arbitration of the Ecolochem settlement payment; and

(b) SCE will credit SDG&E's next regular bill containing a descriptive line item entry by an amount of \$1 million, plus interest, from the date of SDG&E's payment under protest of the Ecolochem Settlement amount, at the Bank of America Corporation prime rate. The descriptive line item entry will state: "Credit for SDG&E payment in 2003 during ICIP rate mechanism."

(c) SDG&E will acknowledge that the defined term “Willful Action” in the Operating Agreement sets a high standard for any refusal to pay future settlement amounts. This is because it is meant to protect SCE, as Operating Agent. SCE receives no money as compensation for acting as Operating Agent. Therefore, the risk associated with co-owners disputing its actions to settle litigation should be minimal.

3.5 SCE agrees to forego reimbursement by SDG&E of SDG&E’s share of SCE’s expenses to prepare its SGRP Application to the Commission – A.04-02-026.

3.6 To resolve all the disputes described in the Recital Section, SCE agrees to provide regulatory support in good faith for SDG&E’s Application to the Commission to participate in SGRP, and will support (i) a 2-way O&M balancing account for SDG&E’s as-billed SONGS O&M costs, including allocated overheads, and (ii) an ROE on all SDG&E SONGS 2 & 3 capital, including SGRP, equal to 11.6%, as set forth below.

(a) SCE would support the establishment of an SDG&E SONGS 2 & 3 O&M expense balancing account by making statements to the Commission in pleadings and in oral argument. SCE will argue that the nature of nuclear O&M expenses makes them hard to predict. This is because such O&M expenses are subject to change as a result of regulatory or other nuclear industry events.

(b) SCE would support the 11.6% ROE for SDG&E’s SONGS 2 & 3 capital expenditures by making statements to the Commission in pleadings and in oral argument. SCE will argue that actual SONGS 2 & 3 capital expenditures will exceed forecast amounts in triennial general rate cases because nuclear capital costs are subject to change due to regulatory or industry events. The 11.6% ROE would compensate SDG&E for the risk of its actual SONGS 2 & 3 capital expenditures investment being higher than forecasts used to establish rate recovery.

(c) SCE will offer testimony, as needed, to provide necessary information about SONGS 2 & 3 costs, schedules, and operating procedures.

(d) SCE will not oppose any aspect of SDG&E's Application consistent with the terms of this Settlement Agreement.

(e) SCE will make a good faith effort to support SDG&E involvement in its budgeting process consistent with the terms of the Operating Agreement.

4. ADDITIONAL AGREEMENTS

4.1 This is the entire agreement of the Parties on the subject matter hereof. Any amendment of this Settlement Agreement on said matters shall be in writing and executed by each of the affected Parties to be effective.

4.2 In the event of any dispute between or among the Parties with respect to the subject matter hereof, the Parties will follow the dispute resolution procedure set forth in the Operating Agreement.

4.3 Each signatory to the Settlement Agreement warrants that he or she has the authority to execute this Settlement Agreement on behalf of the Party for which such execution is made and to bind that Party through such execution.

4.4 This Settlement Agreement shall be binding upon the Parties and each of their respective predecessors, successors, assigns, and each of them.

4.5 It is acknowledged that each of the Parties to this Settlement Agreement participated in the drafting of the Settlement Agreement and that in any action or proceeding involving the interpretation of this Settlement Agreement, the language and the terms of the Settlement Agreement shall not be construed against any Party to this Settlement Agreement on the basis that it was the drafter. Each of the Parties further acknowledges that in entering into this Settlement Agreement, it has been advised by counsel of its choice.

4.6 The Parties agree that this Settlement Agreement is to be interpreted and is subject to enforcement under the laws of the State of California without regard to its conflict of law principles.

4.7 This Agreement may be executed in counterparts, including the execution of facsimile copies and the exchange of signatures by facsimile, with the same effect as if all original signatures were placed on one document, and which, when taken together, shall constitute one original agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement:

DATED April 12, 2006

Southern California Edison Company

BY: Brian Katz
Brian KATZ
Print Name

DATED: April 12, 2006

San Diego Gas & Electric Company

BY: James P. Avery
JAMES P. AVERY
Print Name

Exhibit A

Projects to be Completed Coincident
Or After SGRP Completion
(Nominal \$ in Millions, 100% Level, without Overheads)

	Project Identifier		2005	2006	2007	2008	2009	5 Year
	Location	Function						Sub
Outage replacements								
Unit 2	1812	0342	-	-	-	-	5.0	5.0
Unit 3	1818	0342	-	-	-	-		
N Trailers - Replacement Building	1809	0511	-	-	-	2.2	8.6	10.8
Obsolete Equipment	1809	6016	-	-	-	-	0.6	0.6
Repave roads at SONGS	1806	0320	-	-	-	0.4	5.3	5.7
SIPC Capital Tool Purchases	1806	0051	-	-	-	-	0.6	0.6
Unit 2/3 Dry Cask Spent Fuel Storage								
Unit 2	1809	6027	-	-	-	3.4	6.3	9.7
Unit 3	1809	6028	-	-	-	-		
Projects Closing To Plant Post 2008			0	0	0	6.0	26.4	32.4

APPENDIX B

Balance Sheet, Financial Statement and Income Statement

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2005

1. UTILITY PLANT		<u>2005</u>
101	UTILITY PLANT IN SERVICE	\$7,028,873,006
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	37,013
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	145,580,243
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(3,549,148,925)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(172,545,091)
118	OTHER UTILITY PLANT	472,432,907
119	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT	(121,940,069)
120	NUCLEAR FUEL - NET	<u>26,391,022</u>
TOTAL NET UTILITY PLANT		<u>3,829,680,106</u>

2. OTHER PROPERTY AND INVESTMENTS		
121	NONUTILITY PROPERTY	3,896,313
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(1,536,388)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	3,290,000
124	OTHER INVESTMENTS	-
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	<u>637,906,919</u>
TOTAL OTHER PROPERTY AND INVESTMENTS		<u>643,556,844</u>

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2005

3. CURRENT AND ACCRUED ASSETS

		<u>2005</u>
131	CASH	23,009,157
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	82,247
136	TEMPORARY CASH INVESTMENTS	211,925,726
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	143,178,367
143	OTHER ACCOUNTS RECEIVABLE	83,647,520
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(2,253,429)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	-
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	52,711,575
151	FUEL STOCK	170,113
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	47,263,539
156	OTHER MATERIALS AND SUPPLIES	15,843
163	STORES EXPENSE UNDISTRIBUTED	-
164	GAS STORED	30,227,759
165	PREPAYMENTS	28,796,311
171	INTEREST AND DIVIDENDS RECEIVABLE	16,821,348
173	ACCRUED UTILITY REVENUES	46,819,000
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	9,971,606
175	DERIVATIVE INSTRUMENT ASSETS	<u>197,070</u>
	 TOTAL CURRENT AND ACCRUED ASSETS	 <u>692,583,752</u>

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	16,356,064
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,353,591,988
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	5,787,745
184	CLEARING ACCOUNTS	416,312
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	430,549,967
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	41,813,502
190	ACCUMULATED DEFERRED INCOME TAXES	<u>117,537,810</u>
	 TOTAL DEFERRED DEBITS	 <u>1,966,053,388</u>

	<u><u>7,131,874,090</u></u>
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SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2005

5. PROPRIETARY CAPITAL

	<u>2005</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	79,618,042
214 CAPITAL STOCK EXPENSE	(25,990,045)
216 UNAPPROPRIATED RETAINED EARNINGS	559,808,678
219 ACCUMULATED OTHER COMPREHENSIVE INCOME	<u>(14,051,290)</u>
TOTAL PROPRIETARY CAPITAL	<u>1,561,541,933</u>

6. LONG-TERM DEBT

221 BONDS	1,136,905,000
223 ADVANCES FROM ASSOCIATED COMPANIES	58,804,288
224 OTHER LONG-TERM DEBT	272,470,000
225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	<u>(1,268,713)</u>
TOTAL LONG-TERM DEBT	<u>1,466,910,575</u>

7. OTHER NONCURRENT LIABILITIES

227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	-
228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	26,934,521
228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	3,043,974
228.4 ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	(5,951)
230 ASSET RETIREMENT OBLIGATIONS	<u>462,540,872</u>
TOTAL OTHER NONCURRENT LIABILITIES	<u>492,513,416</u>

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2005

8. CURRENT AND ACCRUED LIABILITIES

	<u>2005</u>
232 ACCOUNTS PAYABLE	269,777,785
233 NOTES PAYABLE TO ASSOCIATED COMPANIES	65,800,000
234 ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	440,307,424
235 CUSTOMER DEPOSITS	52,106,637
236 TAXES ACCRUED	6,604,189
237 INTEREST ACCRUED	11,237,703
238 DIVIDENDS DECLARED	1,204,917
241 TAX COLLECTIONS PAYABLE	2,549,282
242 MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	216,457,163
243 OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	-
244 DERIVATIVE INSTRUMENT LIABILITIES	473,272,603
245 DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	<hr/>
TOTAL CURRENT AND ACCRUED LIABILITIES	<u>1,539,317,703</u>

9. DEFERRED CREDITS

252 CUSTOMER ADVANCES FOR CONSTRUCTION	27,371,574
253 OTHER DEFERRED CREDITS	379,349,421
254 OTHER REGULATORY LIABILITIES	929,303,008
255 ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	34,082,509
257 UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281 ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	5,201,256
282 ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	553,879,539
283 ACCUMULATED DEFERRED INCOME TAXES - OTHER	142,403,156
	<hr/>
TOTAL DEFERRED CREDITS	<u>2,071,590,463</u>
	<hr/>
TOTAL LIABILITIES AND OTHER CREDITS	<u><u>\$7,131,874,090</u></u>

SAN DIEGO GAS & ELECTRIC COMPANY
FINANCIAL STATEMENT
DECEMBER 31, 2005

(a) Amounts and Kinds of Stock Authorized:

Preferred Stock	1,375,000 shares	Par Value \$27,500,000
Preferred Stock	10,000,000 shares	Without Par Value
Preferred Stock	Amount of shares not specified	\$80,000,000
Common Stock	255,000,000 shares	Without Par Value

Amounts and Kinds of Stock Outstanding:

PREFERRED STOCK

5.0%	375,000 shares	\$7,500,000
4.50%	300,000 shares	6,000,000
4.40%	325,000 shares	6,500,000
4.60%	373,770 shares	7,475,400
\$1.7625	750,000 shares	18,750,000
\$1.70	1,400,000 shares	35,000,000
\$1.82	640,000 shares	16,000,000
COMMON STOCK	116,583,358 shares	291,458,395

(b) Terms of Preferred Stock:

Full information as to this item is given in connection with Application Nos. 93-09-069 and 04-01-009, to which references are hereby made.

(c) Brief Description of Mortgage:

Full information as to this item is given in Application Nos. 93-09-069, 96-05-066, 00-01-016 and 04-01-009 to which references are hereby made.

(d) Number and Amount of Bonds Authorized and Issued:

	Nominal Date of Issue	Int. Paid A/C	Par Value Authorized and Issued	Outstanding	Interest Paid in 2005
<u>First Mortgage Bonds:</u>					
6.8% Series KK, due 2015	12-01-91	2183052	14,400,000	14,400,000	979,200
Var% Series OO, due 2027	12-01-92	2183042, 46, 50	250,000,000	150,000,000	11,550,000
5.9% Series PP, due 2018	04-29-93	2183006	70,795,000	68,295,000	4,029,405
5.85% Series RR, due 2021	06-29-93	2183024	60,000,000	60,000,000	3,510,000
5.9% Series SS, due 2018	07-29-93	2183030	92,945,000	92,945,000	5,483,755
2.539% Series VV, due 2034	06-17-04	2183078	43,615,000	43,615,000	1,045,327
2.539% Series WW, due 2034	06-17-04	2183079	40,000,000	40,000,000	973,283
2.516% Series XX, due 2034	06-17-04	2183080	35,000,000	35,000,000	843,908
2.832% Series YY, due 2034	06-17-04	2183081	24,000,000	24,000,000	651,360
2.832% Series ZZ, due 2034	06-17-04	2183082	33,650,000	33,650,000	913,261
2.8275% Series AAA, due 2039	06-17-04	2183083	75,000,000	75,000,000	2,049,937
5.35% Series BBB, due 2035	05-19-05	2183085	250,000,000	250,000,000	6,538,889
5.30% Series CCC, due 2015	11-17-05	2183086	250,000,000	250,000,000	0
<u>Unsecured Bonds:</u>					
5.9% CPCFA96A, due 2014	06-01-96	2183044	129,820,000	129,820,000	7,659,380
Var% CV96A, due 2021	08-02-96	2183010	38,900,000	38,900,000	2,061,700
Var% CV96B, due 2021	11-21-96	2183011	60,000,000	60,000,000	3,300,000
Var% CV97A, due 2023	10-31-97	2183012	25,000,000	25,000,000	1,225,000

SAN DIEGO GAS & ELECTRIC COMPANY
FINANCIAL STATEMENT
DECEMBER 31, 2005

<u>Other Indebtedness:</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>	<u>Interest Paid 2005</u>
Commercial Paper & ST Bank Loans	Various	Various	Various	0	\$356,948

Amounts and Rates of Dividends Declared:

The amounts and rates of dividends during the past five fiscal years are as follows:

<u>Preferred Stock</u>	<u>Shares Outstanding 12-31-05</u>	<u>Dividends Declared</u>				
		2001	2002	2003	2004	2005
5.0%	375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000
4.50%	300,000	270,000	270,000	270,000	270,000	270,000
4.40%	325,000	286,000	286,000	286,000	286,000	286,000
4.60%	373,770	343,868	343,868	343,868	343,868	343,868
\$ 1.7625	750,000	1,762,500	1,762,500	1,674,375	1,498,125	1,321,875
\$ 1.70	1,400,000	2,380,000	2,380,000	2,380,000	2,380,000	2,380,000
\$ 1.82	640,000	1,164,800	1,164,800	1,164,800	1,164,800	1,164,800
	<u>4,163,770</u>	<u>\$6,582,168</u>	<u>\$6,582,168</u>	<u>\$6,494,043</u>	<u>\$6,317,793</u>	<u>\$6,141,543</u> [2]

Common Stock

Amount	\$400,000,000	\$150,000,000	\$200,000,000	\$200,000,000	\$75,000,000	[1]
--------	---------------	---------------	---------------	---------------	--------------	-----

A balance sheet and a statement of income and retained earnings of Applicant for the twelve months ended December 31, 2005, are attached hereto.

[1] San Diego Gas & Electric Company dividend to parent.

[2] Includes \$1,321,875 of interest expense related to redeemable preferred stock.

**SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2005**

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		\$2,459,399,309
401	OPERATING EXPENSES	\$1,636,369,752	
402	MAINTENANCE EXPENSES	119,429,897	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	263,613,251	
408.1	TAXES OTHER THAN INCOME TAXES	49,058,253	
409.1	INCOME TAXES	72,527,897	
410.1	PROVISION FOR DEFERRED INCOME TAXES	199,466,638	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(159,755,194)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(2,800,000)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		2,177,910,494
	NET OPERATING INCOME		281,488,815

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(1,295,114)	
418	NONOPERATING RENTAL INCOME	1,053,556	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	28,147,322	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	8,644,811	
421	MISCELLANEOUS NONOPERATING INCOME	1,501,726	
421.1	GAIN ON DISPOSITION OF PROPERTY	460,120	
	TOTAL OTHER INCOME	38,512,421	
421.2	LOSS ON DISPOSITION OF PROPERTY	(987)	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	3,414,803	
	TOTAL OTHER INCOME DEDUCTIONS	3,413,816	
408.2	TAXES OTHER THAN INCOME TAXES	426,458	
409.2	INCOME TAXES	(21,093,274)	
410.2	PROVISION FOR DEFERRED INCOME TAXES	1,730,360	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(1,305,002)	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	(20,241,458)	
	TOTAL OTHER INCOME AND DEDUCTIONS		62,167,695
	INCOME BEFORE INTEREST CHARGES		343,656,510
	NET INTEREST CHARGES*		76,733,205
	NET INCOME		\$266,923,305

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION, (3,340,656)

**SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2005**

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$372,705,041
NET INCOME (FROM PRECEDING PAGE)	266,923,305
DIVIDEND TO PARENT COMPANY	(75,000,000)
DIVIDENDS DECLARED - PREFERRED STOCK	(4,819,668)
OTHER RETAINED EARNINGS ADJUSTMENTS	<u>0</u>
RETAINED EARNINGS AT END OF PERIOD	<u><u>\$559,808,678</u></u>

APPENDIX C

Statement of Presently Effective Rates and Proposed Changes



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Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

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DR	Domestic Service	18900, 18901, 14712, 18229-E	T
DR-LI	Domestic Service - CARE Program	18902, 18809, 18309, 18230, 18231, 15634-E	T
DR-TOU	Domestic Time-of-Use Service.....	18903,18904, 18232, 18233, 15689-E	T
E-LI	Service to Qualified Living Facilities	18811, 18310, 18405, 18406, 18407-E	
DM	Multi-Family Service.....	18905, 15902, 18234, 18235, 15635-E	T
DS	Submetered Multi-Family Service	18906, 18907, 13674, 18236, 18311-E 18237, 15636-E	T
DT	Submetered Multi-Family Service- Mobilehome Park.....	18908, 18909, 14020, 18238, 18312-E 14023, 18239, 14897-E	T
DT-RV	Submetered Service – Recreational Vehicle Parks and Residential Marinas	18910, 18911, 13686, 18240, 18313-E 18241, 14900-E	T
DR-TOU-DER	Domestic Time-of Use Service – Distributed Energy	18912, 18913, 15617, 16231-E	T
EV-TOU	Domestic Time-of-Use for Electric Vehicle Charging	18914, 15908, 14905-E	T
EV-TOU-2	Domestic Time-of-Use for Households With Electric Vehicles	18915, 15909, 18242, 15643-E	T
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AD	General Service - Demand Metered.....	18922, 18923, 18924-E	T
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OL-1	Outdoor Area Lighting Service	18956, 18957, 18254-E	T
DWL	Residential Walkway Lighting	18958, 14948-E	T
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PA-T-1	Power - Agricultural - Optional Time-of-Use	18960, 18961, 18856, 16726, 12662, 18962-E	T
S	Standby Service	18963, 18256, 17677-E	T
S-I	Standby Service - Interruptible	17678, 6085, 6317-E	
SE	Service Establishment Charge	18651, 11594-E	
DA	Transportation of Electric Power for Direct Access Customers	17679, 14953, 14954, 14955, 15111, 16976-E	
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NDA	UDC Meter Services for Non-Direct Access Customers	17892, 11850, 11851, 16426, 16427-E	
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BIP	Base Interruptible Program	18257, 18366, 18258-E	
OBMC	Optional Binding Mandatory Curtailment Plan	14625, 15198, 14627, 14628, 14629, 15199-E	
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San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 18990-E

Canceling Revised Cal. P.U.C. Sheet No. 18978-E

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Advice Ltr. No. 1770-E

Decision No. 04-12-015

Issued by
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Vice President
Regulatory Affairs

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Resolution No. _____



San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 18983-E

Canceling Revised Cal. P.U.C. Sheet No. 18979-E

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Regulatory Affairs

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142-732/1	11-05	Residential Rate Assistance Application (IVR/System-Gen).....	18657-E
142-732/2	11-05	Submetered Household Application and Statement of Eligibility for California Alternate Rates for Energy (CARE) Program.....	18658-E
142-732/3	11-05	CARE Program Recertification - Application & Statement of Eligibility.....	18659-E
142-732/4	06-05	CARE/FERA Program Renewal - Application & Statement of Eligibility for Submetered Customers...	18382-E
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142-1059	06-96	Standard Form Contract for Service New Job Connection Credit.....	9130-E
142-1159	03-94	Standard Form Contract - Use of Rule 20A Conversion Funds to Fund New Job Connection Credit.....	8103-E
142-1359	05-95	Request for Contract Minimum Demand.....	8716-E
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142-1559	05-95	Request for Conjunctive Billing.....	8718-E
142-1659	05-95	Standard Form Contract - Credits for Reductions in Overhead to Underground Conversion Funding Levels.....	8719-E
142-1759	10-05	Contract for Installation of Electric Watt-Hour Data Pulses.....	18629-E
142-01959	01-01	Consent Agreement.....	14172-E
142-02559	01-98	Contract to Permit the Billing of a Customer on Schedule AV-1 Prior to Installation of all Metering and Equipment Required to Provide a Contract Closure in Compliance With Special Condition 12 of Schedule AV-1.....	11023-E
142-02760	02-02	Interconnection Agreement for Net Energy Metering Solar or Wind Electric Generating Facilities for Other than Residential or Small Commercial of 10 Kilowatts or Less.....	16707-E
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142-4032	06-05	Application for California Alternate Rates for Energy (CARE) Program for Qualified Agricultural Employee Housing Facilities.....	18414-E
142-4035	06-05	Application for California Alternate Rates for Energy (CARE) Program for Migrant Farm Worker Housing Centers.....	18415-E
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142-05207	02-05	Optional Binding Mandatory Curtailment Plan Contract.....	17729-E
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142-05213	07-03	Demand Bidding Program Non-Disclosure Agreement.....	17152-E
142-0541	06-02	Technical Assistance Incentive Application.....	17153-E
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		Generating Facility Interconnection Agreement.....	15384-E
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143-00212		Service Agreement between the Customer and SDG&E for Optional UDC Meter Services.....	11854-E
143-359		Resident's Agreement for Water Heater Switch Credit.....	3542-E
143-459		Resident's Agreement for Air Conditioner or Water Heater Switch.....	3543-E
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143-659		Owner's Agreement for Air Conditioner or Water Heater Switch.....	3545-E
143-759	12-97	Owner's Agreement for Air Conditioner Switch Payment.....	3699-E
143-859	1-99	Occupant's Agreement for Air Conditioner Switch Payment....	3700-E
143-01212		Letter of Understanding between the Customer's Authorized Meter Supplier and SDG&E for Optional UDC Meter Services.....	11855-E
143-1459B	12-97	Thermal Energy Storage Agreement.....	5505-E
143-01759	12-97	Meter Data and Communications Request.....	11004-E
143-01859	2-99	Energy Service Provider Service Agreement.....	10572-E
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143-02059	12-99	Direct Access Service Request (DASR).....	13196-E
143-02159	12-97	Termination of Direct Access (English).....	11889-E
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143-2259	12-97	Departing Load Competition Transition Charge Agreement.....	10629-E
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103-1750-E		Return of Customer Deposit.....	2500-E

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110-00432	01-06	Form of Bill - General, Domestic, Power, and Lighting Service - Opening, Closing, and Regular Monthly Statements.....	18974-E
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101-00753/1	02-04	Urgent Notice Payment Request Security Deposit to Establish Credit.....	16944-E
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101-00753/6	02-04	Urgent Notice Payment Request for Final Bill.	16949-E
101-00753/7	02-04	Urgent - Sign Up Notice for Service	16950-E
101-00753/8	02-04	Reminder Notice – Payment Request for Past Due Bill	16951-E
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101-01071	03-05	Notice of Disconnect	18086-E
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San Diego Gas & Electric Company
San Diego, California

Original Cal. P.U.C. Sheet No. 15392-E

Canceling Revised Cal. P.U.C. Sheet No. 14872-E

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101-3052B	3-69	Temporary "After Hour" Turn On Notice.....	2512-E
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107-04212	4-99	Notice of Temporary Electric Service Interruption (English & Spanish).....	12055-E
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124-70A		No Service Tag.....	2514-E

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Advice Ltr. No. 1417-E

Decision No. _____

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Jun 5, 2002

Effective Jul 15, 2002

Resolution No. _____

APPENDIX C

STATEMENT OF PROPOSED RATE CHANGES

I. Proposed Changes to SDG&E's Existing Non-Fuel Generation Balancing Account

SDG&E requests an increase to its SONGS non-fuel revenue requirement to cover its share of SGRP costs. Consistent with current recovery treatment for generation costs SDG&E proposes that changes to its SONGS non-fuel revenue requirement be recorded in its existing Non-Fuel Generation Balancing Account (NGBA) for recovery in commodity rates (Schedule EECC, Electric Energy Commodity Costs).

II. Proposed Establishment of the SONGS Major Additions Adjustment Clause (SONGS MAAC)

Revenue requirements associated with certain SGRP capital-related costs billed to SDG&E will initially be recorded monthly to a new balancing account called the SONGS Major Additions Adjustment Clause (SONGS MAAC) account and then transferred annually over to the NGBA for interim recovery in commodity rates. The revenue requirements recorded to the NGBA will be balanced against billed revenues received from the commodity rate component set to recover SGRP costs.

III. Proposed Cost Recovery Treatment for SGRP Costs

SDG&E is proposing the following cost recovery treatment for SGRP costs. SDG&E requests authority to recover through depreciation 20 percent of its share of the estimated costs of removal and disposal of the original steam generators, including contractual overheads, beginning in January 2007 (or when the application is approved) and continuing through 2011. The increase in the depreciation expenses will increase the

SONGS 2 & 3 revenue requirement being recorded monthly to the NGBA. The SGRP revenue requirements associated with SDG&E's share of the steam generator installation costs for each unit and the remaining balance of the removal and disposal costs of the original steam generators for each unit may be subject to refund if a reasonableness review is performed.

IV. Proposed SONGS O&M Two-Way Balancing Account

SDG&E proposes to establish a separate two-way balancing account to record the difference between 1) SDG&E's authorized SONGS O&M revenue requirement including refueling outage O&M and 2) the actual costs, including SCE's contractual overheads, billed to SDG&E by SCE relating to SONGS O&M expenses, including refueling outage O&M. SDG&E proposes that the balance in this account be transferred annually to its current NGBA, which is amortized in commodity rates on an annual basis.

APPENDIX D

Statement of Original Cost and Depreciation Reserve

SAN DIEGO GAS & ELECTRIC COMPANY

COST OF PROPERTY AND
DEPRECIATION RESERVE APPLICABLE THERETO
AS OF DECEMBER 31, 2005

<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	23,507,531	16,210,557
	TOTAL INTANGIBLE PLANT	23,730,372	16,413,457
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	16,153,166
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	34,221,322
320.1	Land	0	0
320.2	Land Rights	283,677	283,677
321	Structures and Improvements	266,740,975	265,051,437
322	Boiler Plant Equipment	393,571,684	393,571,684
323	Turbogenerator Units	135,444,115	135,444,115
324	Accessory Electric Equipment	166,849,274	166,712,651
325	Miscellaneous Power Plant Equipment	228,370,914	196,489,438
107	ICIP CWIP	0	6,108,136
	TOTAL NUCLEAR PRODUCTION	1,191,260,639	1,163,661,139
340.1	Land	143,476	0
340.2	Land Rights	2,428	2,428
341	Structures and Improvements	2,161,477	39,610
342	Fuel Holders, Producers & Accessories	1,358,435	24,894
343	Prime Movers	20,824,413	381,654
344	Generators	3,347,564	82,530
345	Accessory Electric Equipment	5,384,669	98,677
346	Miscellaneous Power Plant Equipment	359,058	6,580
	TOTAL OTHER PRODUCTION	33,581,521	636,372
	TOTAL ELECTRIC PRODUCTION	125,354,427.9	1,198,518,833

<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	55,461,375	8,273,988
352	Structures and Improvements	68,782,018	23,827,604
353	Station Equipment	453,491,616	115,018,199
354	Towers and Fixtures	96,012,766	70,603,841
355	Poles and Fixtures	103,195,455	38,044,561
356	Overhead Conductors and Devices	177,548,406	130,956,170
357	Underground Conduit	40,817,077	6,558,969
358	Underground Conductors and Devices	28,143,063	9,304,687
359	Roads and Trails	14,498,026	4,405,557
	TOTAL TRANSMISSION	1,059,583,996	406,993,574
360.1	Land	18,585,092	0
360.2	Land Rights	63,176,197	23,613,271
361	Structures and Improvements	3,031,479	1,852,185
362	Station Equipment	276,203,202	66,993,175
364	Poles, Towers and Fixtures	333,933,076	178,484,739
365	Overhead Conductors and Devices	269,985,319	89,000,257
366	Underground Conduit	703,435,139	271,080,248
367	Underground Conductors and Devices	904,962,014	471,224,708
368.1	Line Transformers	321,516,583	59,266,776
368.2	Protective Devices and Capacitors	23,866,099	4,426,144
369.1	Services Overhead	87,927,705	112,681,004
369.2	Services Underground	238,878,399	134,921,601
370.1	Meters	81,085,707	29,856,366
370.2	Meter Installations	38,718,623	9,693,583
371	Installations on Customers' Premises	5,937,828	8,038,568
373.1	St. Lighting & Signal Sys.-Transformers	0	0
373.2	Street Lighting & Signal Systems	23,558,213	16,736,821
	TOTAL DISTRIBUTION PLANT	3,394,800,674	1,477,869,447
389.1	Land	7,913,379	0
389.2	Land Rights	0	0
390	Structures and Improvements	26,971,267	8,936,043
392.1	Transportation Equipment - Autos	0	49,884
392.2	Transportation Equipment - Trailers	175,979	120,082
393	Stores Equipment	54,331	43,881
394.1	Portable Tools	10,777,210	3,640,483
394.2	Shop Equipment	578,489	290,715
395	Laboratory Equipment	544,522	150,615
396	Power Operated Equipment	92,162	149,134
397	Communication Equipment	88,641,812	38,582,790
398	Miscellaneous Equipment	293,121	(115,510)
	TOTAL GENERAL PLANT	136,042,272	51,848,118
101	TOTAL ELECTRIC PLANT	5,867,701,593	3,151,643,429

<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	561,287
	TOTAL INTANGIBLE PLANT	799,663	647,391
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	327,197
	TOTAL STORAGE PLANT	2,368,477	2,507,061
365.1	Land	4,649,144	0
365.2	Land Rights	2,217,185	932,989
366	Structures and Improvements	10,680,725	6,803,771
367	Mains	120,704,543	42,439,260
368	Compressor Station Equipment	60,093,680	33,040,727
369	Measuring and Regulating Equipment	15,571,829	8,665,121
371	Other Equipment	0	0
	TOTAL TRANSMISSION PLANT	213,917,106	91,881,868
374.1	Land	102,187	0
374.2	Land Rights	7,730,570	4,529,259
375	Structures and Improvements	43,447	61,253
376	Mains	464,514,480	245,478,794
378	Measuring & Regulating Station Equipment	8,028,387	5,237,548
380	Distribution Services	220,937,893	231,240,315
381	Meters and Regulators	67,365,731	30,697,229
382	Meter and Regulator Installations	56,386,455	22,212,828
385	Ind. Measuring & Regulating Station Equipment	1,516,811	665,566
386	Other Property On Customers' Premises	0	0
387	Other Equipment	4,446,936	3,773,984
	TOTAL DISTRIBUTION PLANT	831,072,896	543,896,776

<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	5,964,513	1,639,568
394.2	Shop Equipment	84,597	(6,799)
395	Laboratory Equipment	363,609	(178,391)
396	Power Operated Equipment	246,939	30,297
397	Communication Equipment	3,247,090	1,502,696
398	Miscellaneous Equipment	323,531	28,267
	TOTAL GENERAL PLANT	<u>10,306,489</u>	<u>3,117,350</u>
101	TOTAL GAS PLANT	<u>1,058,464,630</u>	<u>642,050,445</u>
COMMON PLANT			
303	Miscellaneous Intangible Plant	163,191,341	117,774,837
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	116,581,468	41,678,516
391.1	Office Furniture and Equipment - Other	23,459,965	8,941,170
391.2	Office Furniture and Equipment - Computer Equipm	52,400,743	21,370,724
392.1	Transportation Equipment - Autos	33,942	(338,930)
392.2	Transportation Equipment - Trailers	41,567	(101,421)
393	Stores Equipment	150,312	(208,538)
394.1	Portable Tools	168,535	(15,070)
394.2	Shop Equipment	319,947	124,311
394.3	Garage Equipment	2,592,916	395,524
395	Laboratory Equipment	2,105,877	879,619
396	Power Operated Equipment	0	(192,979)
397	Communication Equipment	84,859,686	48,659,529
398	Miscellaneous Equipment	3,057,424	784,856
118.1	TOTAL COMMON PLANT	<u>456,589,740</u>	<u>239,779,425</u>
	TOTAL ELECTRIC PLANT	5,867,701,593	3,151,643,429
	TOTAL GAS PLANT	1,058,464,630	642,050,445
	TOTAL COMMON PLANT	<u>456,589,740</u>	<u>239,779,425</u>
101 & 118.1	TOTAL	<u>7,382,755,963</u>	<u>4,033,473,299</u>
101	PLANT IN SERV-SONGS FULLY RECOVERED	<u>\$ (1,167,685,825)</u>	<u>\$ (1,167,685,825)</u>

<u>No.</u>	<u>Account</u>	<u>Original Cost</u>	<u>Reserve for Depreciation and Amortization</u>
101	Accrual for Retirements		
	Electric	\$ (4,223,519)	\$ (4,223,519)
	Gas	(502,352)	(502,352)
	TOTAL PLANT IN SERV-NON RECON ACCTS	<u>(4,725,871)</u>	<u>(4,725,871)</u>
	Electric	\$ 0	\$ 0
	Gas	0	0
	TOTAL PLANT PURCHASED OR SOLD	<u>0</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	573,311,815	
	Gas	700,989	
	Common	15,635,780	
	TOTAL CONSTRUCTION WORK IN PROGRESS	<u>589,648,584</u>	<u>0</u>
108.5	Accumulated Nuclear Decommissioning		
	Electric	0	541,543,089
	TOTAL ACCUMULATED NUCLEAR DECOMMISSIONING	<u>0</u>	<u>541,543,089</u>
114	ELECTRIC PLANT ACQUISITION ADJUSTMENT	<u>0</u>	<u>0</u>
120	NUCLEAR FUEL FABRICATION	<u>42,488,366</u>	<u>27,276,702</u>
143	FAS 143 ASSETS - Legal Obligation	71,027,918	(501,323,301)
	FIN 47 ASSETS - Legal Obligation	31,886,251	13,559,170
143	FAS 143 ASSETS - Non-legal Obligation	<u>0</u>	<u>(966,785,000)</u>
	TOTAL FAS 143	102,914,169	(1,454,549,131)
	UTILITY PLANT TOTAL	<u>\$ 6,945,432,400</u>	<u>\$ 1,975,332,264</u>

APPENDIX E

Summary of Earnings

**SAN DIEGO GAS & ELECTRIC COMPANY
SUMMARY OF EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2005
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	2,459
2	Operating Expenses	<u>2,178</u>
3	Net Operating Income	<u><u>281</u></u>
4	Weighted Average Rate Base	2,901
5	Rate of Return*	8.18%

*Authorized Cost of Capital

APPENDIX F

List of Counties and Municipalities Served by SDG&E

State of California
Attorney General's Office
P.O. Box 944255
Sacramento, CA 94244-2550

City of Chula Vista
Attn. City Attorney
276 Fourth Ave
Chula Vista, Ca 91910-2631

United States Government
General Services Administration
300 N. Los Angeles
Los Angeles, CA 90012

State of California
Attn. Director Dept of General Services
PO Box 989052
West Sacramento, CA 95798-9052

City of Coronado
Attn. City Attorney
1825 Strand Way
Coronado, CA 92118

City of Carlsbad
Attn. City Clerk
1200 Carlsbad Village Drive
Carlsbad, CA 92008-1949

City of Carlsbad
Attn. City Attorney
1200 Carlsbad Village Drive
Carlsbad, CA 92008-19589

City of Dana Point
Attn. City Attorney
33282 Golden Lantern
Dana Point, CA 92629

City of Encinitas
Attn. City Attorney
505 S. Vulcan Ave.
Encinitas, CA 92024

City of Del Mar
Attn. City Attorney
1050 Camino Del Mar
Del Mar, CA 92014

City of Escondido
Attn. City Attorney
201 N. Broadway
Escondido, CA 92025

City of Solana Beach
Attn. City Attorney
635 S. Highway 101
Solana Beach, CA 92075

City of Imperial Beach
Attn. City Clerk
825 Imperial Beach Blvd
Imperial Beach, CA 92032

City of Laguna Beach
Attn. City Clerk
505 Forest Ave
Laguna Beach, CA 92651

City of Imperial Beach
Attn. City Attorney
825 Imperial Beach Blvd
Imperial Beach, CA 92032

City of Laguna Niguel
Attn. City Attorney
22781 La Paz Ste. B
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City of Lemon Grove
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Mission Viejo, CA 92691

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Attn. City Attorney
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City of San Diego
Attn. City Manager
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Attn. City Attorney
PO Box 1988
Vista, CA 92083

City of Vista
Attn. City Clerk
PO Box 1988
Vista, CA 92083

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

In the Matter of San Diego Gas & Electric Company's
(U 902-E) Application for Authorization to (1)
Participate in the Steam Generator Replacement Project
As A Co-Owner of San Onofre Nuclear Generating
Station Unit Nos. 2 & 3 (SONGS 2 & 3) ; (2) Establish
Ratemaking For Cost Recovery; and (3) Address Other
Related Steam Generator Replacement Issues

Application No. 06-04-__

**NOTICE OF AVAILABILITY
OF APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
FOR AUTHORIZATION TO PARTICIPATE IN THE STEAM GENERATOR
REPLACEMENT PROJECT AS A CO-OWNER OF SONGS 2 & 3 AND
ESTABLISH RATEMAKING FOR COST RECOVERY**

Pursuant to Rule 2.3(c) of the Commission's Rules of Practice and Procedure, San Diego Gas & Electric Company (U 902-E) ("SDG&E") hereby gives notice of the *Application for Authorization to (1) to Participate in the Steam Generator Replacement Project As A Co-Owner of San Onofre Nuclear Generating Station Unit Nos. 2 & 3 (SONGS 2 & 3) ; (2) Establish Ratemaking For Cost Recovery; and (3) Address Other Related Steam Generator Replacement Issues* (the "Application") filed with the Commission today, April 14, 2006. The Application and supporting testimony in redacted form is available to all interested parties and to the public. Consistent with Rule 2.3(c), SDG&E is issuing this Notice of Availability of the above-referenced application because the Application and its related attachments exceed 75 pages in length. This Notice of Availability is being served on all parties of record in Commission proceedings A.04-02-026 and A.02-12-028. Any recipient of this Notice of Availability may request a copy of the filing. In addition, SDG&E has established a San Onofre Nuclear Steam Generator Replacement Project ("SONGS SGRP") website

http://sdge.com/regulatory/tariff/cpuc_openProceedings.shtml where the application and testimonies may be accessed.

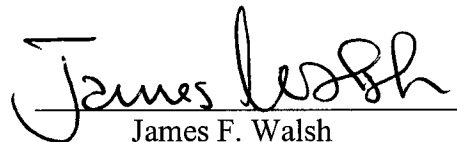
The Application and supporting testimonies ask the Commission to authorize SDG&E to participate in the SONGS steam generator replacement project as a 20% co-owner of SONGS. It also asks the Commission to establish ratemaking mechanisms applicable to SDG&E's interest in SONGS, including the SONGS SGRP.

A copy of the documents described above will be provided immediately upon the request of the party receiving this notice. All requests should be directed to:

Wendy Keilani
Regulatory Case Manager
San Diego Gas & Electric Company
8330 Century Park Court
Mail Location: CP32D
San Diego, CA 92123-1530
Telephone: (858) 654-1185
Facsimile: (858) 654-1788
E-mail: wkeilani@semprautilities.com

Dated this 14th day of April, 2006.

Respectfully Submitted,


James F. Walsh

Attorney for
SAN DIEGO GAS & ELECTRIC
101 Ash Street
San Diego, California 92101
Telephone: 619/699-5022
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the **NOTICE OF AVAILABILITY OF APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR AUTHORIZATION TO PARTICIPATE IN THE STEAM GENERATOR REPLACEMENTR PROJECT AS A CO-OWNER OF SONGS 2 & 3 AND ESTABLISH RATEMAKING FOR COST RECOVERY** has been served on all parties of record in A.04-02-026 and A.02-12-028.

Dated at San Diego, California, this 14th day of April, 2006.

A handwritten signature in cursive script, appearing to read "Deanna Porter", written in black ink.

Deanna Porter