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July 10, 2006

Mr. Stephen Larson
Executive Director
The State of California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

**RE: San Diego Gas & Electric Company's Upcoming Electric Rate Design and Cost Allocation Proceedings**

Dear Mr. Larson:

On August 1, 2006, San Diego Gas & Electric Company (SDG&E) will file a Notice of Intent for its 2008 Test Year General Rate Case (2008 GRC). Accordingly, by mid March of 2007, SDG&E will then submit electric rate design and cost allocation testimony (GRC Phase II). Historically, however, SDG&E has not recently participated in general rate cases and thus has not participated in "phase II" electric rate design and cost allocation related proceedings. Instead, SDG&E has filed "rate design window" (RDW) applications on an as needed, or as specified by Commission order, basis.

To eliminate unnecessary duplication of efforts and increase judicial efficiency, the Department of Ratepayer Advocates (DRA) and SDG&E have reached an agreement to consolidate SDG&E's upcoming GRC Phase II proceeding with SDG&E's next RDW application, which must be filed, per settlement of Application 05-02-019 (RDW Settlement), on or before June 1, 2007. Because the two proceedings cover identical (or nearly identical) issues, SDG&E would pursue both proceedings within a four month window of each other, no party is prejudiced by the consolidation and, as stated earlier, the interests of judicial efficiency are observed, SDG&E believes this agreement with DRA is in the best interests of ratepayers, intervenors and potential parties of either proceeding, and the Commission.

The minor impacts to either proceeding will be limited to:

1) SDG&E's electric rate design and cost allocation testimony will be served no later than June 1, 2007, as specified by the RDW Settlement, as opposed to the mid March 2007 date specified by GRC Phase II;

ATTACHMENT



2) the "longer of" the two sets of procedural requirements will be observed ; and

3) in accord with GRC Phase II, a final Commission decision will not be anticipated until approximately 10.5 months from submission of SDG&E testimony, as opposed to the approximately 5 months anticipated in RDW, thus a final decision could be issued as late as May 2008.

On the other hand, although SDG&E anticipates the issues in each proceeding to be identical or nearly identical, the scope of the consolidated RDW/GRC Phase II would clearly cover all issues appropriate to either proceeding. Again, no intervenor or potential party to either proceeding is thus harmed by the consolidation, while duplicative proceedings are consolidated and streamlined. Further, based on an informal canvassing, no probable participants currently object to the proposed consolidation.

Accordingly, SDG&E and DRA seek your concurrence that the procedural steps described in this letter are appropriate, thereby approving a one time exception to the Rate Case Plan that moves all electric rate design and cost allocation issues from the GRC to RDW. SDG&E has emailed or mailed a copy of this letter to all of the parties on the service lists of SDG&E's last rate design window proceeding (Application 05-02-019) and SDG&E's last cost of service proceeding (Application 02-12-028).

Sincerely,

Lee Schavrien

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Vice President, Regulatory Affairs

cc: Parties to Service Lists: A.05-02-019 and A.02-12-028

(END OF ATTACHMENT)