ATTACHMENT A

SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT BETWEEN SAN DIEGO GAS & ELECTRIC COMPANY AND THE DIVISION OF RATEPAYER ADVOCATES RESOLVING ISSUES IN THE CATASTROPHIC EVENT MEMORANDUM ACCOUNT PROCEEDING (APPLICATION NO. 09-03-011)

In accordance with Article 12 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) and San Diego Gas & Electric Company (SDG&E) (together the "Settling Parties"), by and through their undersigned representatives, enter into this Settlement Agreement resolving issues in SDG&E's Catastrophic Event Memorandum Account (CEMA) proceeding, Application No. 09-03-011. As a compromise to resolve issues in this proceeding, SDG&E and DRA agree to and support all of the terms of this Settlement Agreement.

I. THE CATASTROPHIC EVENT MEMORANDUM ACCOUNT PROCEEDING

Beginning on October 21, 2007, Southern California experienced a series of major fires and numerous smaller fires. The first fire reported within SDG&E's service territory was the Harris Fire, which started on October 21, 2007, in the border community of Potrero. It was followed by the Witch, McCoy, Guejito, Coronado Hills, Rice, Poomacha, and Ammo fires. Compliant disaster declarations, from the Governor of California and the President of the United States, were issued in this matter as required by CPUC Decision (D.) 07-07-041.[1]

On March 6, 2009, SDG&E submitted its CEMA Application to recover its incremental expenses and capital-related costs incurred as a result of all of the 2007 Fires in SDG&E's service territory. A Prehearing Conference (PHC) was held on June 12, 2009. At the PHC, Settling Parties had offered opposing arguments about the degree of linkage between SDG&E's CEMA Application, which was related to all of the 2007 Fires in SDG&E's service territory, and

[1] City and County declarations were also issued, but these declarations do not meet the standard for CEMA eligibility.

the Fire OIIs (I.08-11-006 and I.08-11-007), which focused on alleged safety violations linked to the Witch, Rice and Guejito Fires.[2] Proceeding on an expedited schedule for the CEMA proceeding, as opposed to holding it in abeyance until the resolution of the Fire OIIs, was also discussed. No Scoping Memo has been issued in this matter. DRA has conducted an audit of the expenses and capital costs that SDG&E included in its CEMA filing.

II. THE SETTLEMENT

This Settlement resolves this proceeding and consists of the following agreement by the Settling Parties:

1. According to SDG&E's Application, SDG&E incurred approximately $112.1 million in total costs associated with the 2007 Fires. SDG&E's Application sought Commission approval for approximately $6.8 million of Operation and Maintenance (O&M) expenses and $43.0 million of capital costs associated with the 2007 Fires. Thus, SDG&E's CEMA Application sought a total revenue requirement of $32.2 million. The Settling Parties agree that the Commission should find that it is reasonable to remove all of the O&M expenses totaling approximately $6.8 million from SDG&E's total CEMA revenue requirement request. This reduction would result in an authorized total revenue requirement of $25.44 million. This represents 79% of SDG&E's originally requested recovery for all of the 2007 Fires in SDG&E's service territory, and 23% of the total costs that SDG&E states that it incurred in the 2007 Fires. DRA recommended the 21% revenue requirement reduction based on its review of available evidence, taking into consideration the opinions of the Consumer Protection and Safety Division in regards to the Witch, Rice and Guejito Fires. SDG&E strongly disagreed with those opinions

[2] An uncontested settlement agreement between SDG&E and the Consumer Protection and Safety Division to resolve both OIIs was presented for Commission approval on October 30, 2009. In the settlement, SDG&E denied that it violated safety General Orders and other laws and rules and did not admit to any safety violations of General Orders and related statutory requirements. The Commission approved the settlement agreement on April 22, 2010.

and their relevance to this proceeding, but agreed to the 21% revenue requirement reduction in this matter.

III. RESERVATIONS

1. The Settling Parties agree that this settlement represents a compromise of their respective positions. It does not represent the Settling Parties' endorsement of, or agreement with, any or all of the positions of the other party.

2. The Settling Parties by joint motion concurrently request Commission approval of this Settlement. The Settling Parties additionally agree to actively support prompt approval of the Settlement. Active support shall include necessary filings and, if required, appearances and other means to obtain the approvals sought. The Settling Parties further agree to participate jointly in necessary briefings to Commissioners and their advisors regarding the Settlement and the issues resolved by it.

3. This Settlement embodies the entire understanding and agreement of the Settling Parties with respect to the matters described herein, and, except as described herein, supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings among the Settling Parties.

4. The Settlement may be amended or changed only by a written agreement signed by the Settling Parties.

5. The Settling Parties have bargained earnestly and in good faith to achieve this Settlement. The Settling Parties intend the Settlement to be interpreted and treated as a unified, interrelated agreement. The Settling Parties therefore agree that if the Commission fails to approve the Settlement as reasonable and adopt it unconditionally and without modification, any Settling Party may in its sole discretion elect to terminate the Settlement. The Settling Parties

further agree that any material change to the Settlement shall give each Settling Party in its sole discretion the option to terminate the Settlement. In the event the Settlement is terminated, the Settling Parties will request that the unresolved issues in Application 09-03-011 be heard at the earliest convenient time.

6. This Settlement represents a compromise between the Settling Parties and should not be considered precedent with respect to other CEMA costs, not at issue in this proceeding, in any future proceeding. This Settlement should also not be considered precedent with respect to any other matters in any way related to the 2007 Fires, including but not limited to the Z-Factor proceeding (A.08-09-019). The Settling Parties have assented to the terms of this Settlement Agreement only for the purpose of arriving at the compromise herein. Except as provided in reservation #4, each Settling Party expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies that may be different from those underlying this Settlement.

7. Each of the Settling Parties hereto and their respective counsel have contributed to the preparation of this Settlement. Accordingly, the Settling Parties agree that no provision of this Settlement shall be construed against any Settling Party because that party or its counsel drafted the provision.

8. It is understood and agreed that no failure or delay by any Settling Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver hereof, nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right, power or privilege.

9. This document may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10. This Settlement shall become effective between the Settling Parties on the date the last Settling Party executes the Settlement as indicated below.

In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the parties they represent.

DIVISION OF RATEPAYER ADVOCATES

Dana Appling
Director
Division of Ratepayer Advocates

SAN DIEGO GAS & ELECTRIC COMPANY

Lee Schavrien
Senior Vice President,
Finance, Regulatory, and Legislative Affairs
San Diego Gas & Electric Company

Date: June 10, 2010

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In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the parties they represent.

DIVISION OF RATEPAYER ADVOCATES

Dana Appling
Director
Division of Ratepayer Advocates

SAN DIEGO GAS & ELECTRIC COMPANY

Lee Schavrien
Senior Vice President,
Finance, Regulatory, and Legislative Affairs
San Diego Gas & Electric Company

Date: June 16, 2010

(END OF ATTACHMENT A)