California Public Utilities Commission

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News Release

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PUC AND ATTORNEY GENERAL SETTLE CURTAILMENT LAWSUIT WITH SEMPRA ENERGY

SAN FRANCISCO, October 13, 2006 - The California Public Utilities Commission (PUC) and the State Attorney General today announced a settlement of the curtailment lawsuit brought against Sempra Energy and two of its regulated utilities, San Diego Gas and Electric Company (SDG&E) and Southern California Gas Company (SoCalGas).

The PUC/Attorney General complaint, which was filed last year in San Diego Superior Court before Judge Prager, alleges that SDG&E/SoCalGas misrepresented the amount of pipeline capacity available to transport natural gas to Baja California and did not disclose to the PUC the potential for curtailment of customers in Southern California. After service was initiated to transport natural gas over the two utilities' pipeline systems to Sempra Energy affiliates, which sell and distribute natural gas within Baja California, SDG&E curtailed natural gas service on 17 days during the energy crisis in the winter of 2000/2001. In California, two major customers, which operated electric power plants, were curtailed and were forced to switch to fuel oil to generate power.

The settlement requires Sempra Energy to give SDG&E an option to acquire at book value the 480-megawatt El Dorado Energy power plant in Boulder City, Nevada, from Sempra Generation. The power plant transfer must be approved by both the PUC and the Federal Energy Regulatory Commission and may occur after SDG&E completes a competitive solicitation for capacity later this year. The settlement also requires a cash payment of $5.7 million from Sempra Energy to SDG&E customers.

PUC President Michael R. Peevey stated, "This settlement should provide significant benefits to SDG&E's customers far beyond the cash payment as the El Dorado power plant is an efficient natural gas combined cycle power generating station with a remaining useful life of at least 20 years. After SDG&E's competitive solicitation for capacity is completed later this year, the PUC will be better able to determine the expected value of this option, which exceeds $100 million when compared to the market price referent."

Another key provision of the settlement requires the Sempra Energy utilities to disclose more information about changes in utility operations or services that may benefit one of its non-utility affiliates.

"The PUC needs to know when the interests of ratepayers and an energy company's unregulated affiliates clash," said Attorney General Bill Lockyer. "This settlement will ensure Sempra provides the Commission full disclosure that will help protect utility consumers."

A settlement of the PUC's pending investigation into higher natural gas prices at the California border during the 2000-2001 energy crisis also has been recently proposed by the Sempra Energy utilities and Southern California Edison Company in a filing at the PUC. The PUC must rule upon this Sempra-Edison proposed settlement before the benefits to ratepayers from the settlement of this curtailment lawsuit can take effect.

For more information on the PUC, please visit www.cpuc.ca.gov.

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