



SDG&E TO RETURN \$390 MILLION TO CUSTOMERS

More than 1 Million San Diego, Orange County Customers To Receive Check This Summer

SAN DIEGO, June 8, 2000 – San Diego Gas & Electric (SDG&E) customers will receive an unprecedented \$390 million cash dividend this summer, the result of the company's success in transitioning to a competitive marketplace under California's electric-industry restructuring plan. SDG&E's average residential customer will receive approximately \$260 and the average small-commercial customer, approximately \$870.

As approved by the California Public Utilities Commission this morning, SDG&E customers will receive a check in the August billing cycle, when electric commodity prices could approach their peak for the year.

"This one-time \$390 million 'dividend' for our customers is the result of our successful efforts to fulfill the vision of California's legislators and regulators in bringing energy competition to the state," said Edwin A. Guiles, president of SDG&E. "More quickly than anyone had anticipated, we have been able to open the energy marketplace for our customers in San Diego and southern Orange county."

A unique set of circumstances, brought on by electric industry restructuring in California, makes the credit possible. As part of the process, investor-owned utilities in California issued bonds – called rate-reduction bonds – in December 1997 to refinance their debt related to "stranded" assets and reduce rates 10 percent for their residential and small-commercial customers. State regulators and legislators planned that the recovery period for the utilities' transition costs would be four years, ending by March 31, 2002, but SDG&E was able to recover its costs two-and-a-half years early – by last July – through the sale of its two San Diego power plants at prices above book value and through an aggressive energy-purchasing strategy on behalf of its customers. Because the costs were recovered more quickly than anticipated, SDG&E is able to return \$390 million to its customers.

Once the excess money is returned, consumers will continue to see a savings of approximately 5 percent off their "base" electric rates -- the portion of their bill that pays for the regulated delivery service of electricity to their home or business -- compared with rates prior to industry restructuring in 1997.

Customers' utility bills also will continue to carry a line-item to pay for the bonds over their eight-year lifetime because the bonds are noncallable.

"Rather than acting as 'the bank' with our customers' money, we are pleased to be able to return the credit to them quickly," Guiles said. "They should be in control of their own money over the next eight years, to invest or spend as they see fit."

The electricity commodity charge – which comprises one-third or more of the total charge on customers' bills -- is now a function of supply and demand in California's competitive marketplace and no longer is controlled by SDG&E. Fluctuating energy prices should mean lower bills for customers in San Diego's mild winters, but higher prices in the summertime. Customers who conserve, properly insulate and limit their energy use in the hot summer months will save the most and also help the state meet electricity demands during peak-consumption periods.

San Diego Gas & Electric is a public utility that provides service to 3 million consumers through 1.2 million electric meters and 740,000 natural gas meters in San Diego and southern Orange counties. SDG&E is a subsidiary of Sempra Energy (NYSE: SRE), a Fortune 500 energy services holding company based in San Diego, with 12,000 employees, revenues of nearly \$5.5 billion and more than 9 million customers in the United States, Europe, Canada, Mexico and South America.