

SEMPRA ENERGY
Form 8-K
March 18, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act
of 1934

Date of Report

(Date of earliest event reported): March 17, 2005

SEMPRA ENERGY

(Exact name of registrant as specified in its charter)

| | | |
|---|-----------------------------|---|
| CALIFORNIA | 1-14201 | 33-0732627 |
| ----- | ----- | ----- |
| (State of incorporation or organization) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| 101 ASH STREET, SAN DIEGO, CALIFORNIA | 92101 |
| ----- | ----- |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code (619) 696-2034

(Former name or former address, if changed since last report.)

FORM 8-K

ITEM 8.01 OTHER EVENTS

The following information supplements the information contained in the registrant's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the Securities and Exchange Commission.

CPUC Phase II Cost of Service Decision

As previously reported, in July 2004 our California utilities, San Diego Gas & Electric Company and Southern California Gas Company, filed with the California Public Utilities Commission (CPUC) a proposed settlement of Phase II of their cost of service proceedings. The proceedings address the utilities' attrition allowances and performance-based incentive mechanisms. On March 17, 2005, the CPUC approved the settlement and adopted related performance measures and incentives.

The CPUC's decision establishes an indexing methodology for post-test-year ratemaking which includes inflation adjustments and earnings-sharing mechanisms. It also provides for the resumption of performance-based incentive mechanisms that permit incentive rewards and penalties based on customer service, safety and reliability. The decision is retroactive to January 1, 2005 and applicable for years 2005-2007. It also eliminates earnings sharing that would otherwise have been applicable for year 2004 and incentive awards for year 2004.

For the years 2005-2007, the utilities' authorized base-rate revenues will be annually increased by the increase in the Consumer Price Index but subject to minimum and maximum percentage increases that vary with the particular utility and increase yearly. The annual minimum percentage increases range from 2.0% to 3.8% and the annual maximum percentage increases range from 3.0% to 4.8%. For these years any utility base-rate earnings that exceed the utility's CPUC-authorized rate of return on rate base plus 0.5 percentage points will be shared with customers' in percentages that vary with the amount of the excess, beginning with customers' receiving 75% of the excess and declining to 25% as the excess increases. The decision authorizes each utility to file for a suspension of the indexing and sharing mechanisms if its base-rate earnings for any year are at least 1.75 percentage points below its authorized rate of return and authorizes any party to the settlement to file for a suspension if the utility's base-rate earnings for any year are at least 1.75 percentage points above its authorized rate of return. The mechanisms will be automatically suspended for a utility if its base-rate earnings for either 2005 or 2006 are at least 3 percentage points above or below its authorized rate of return.

The decision also establishes formula-based performance measures for customer service, safety and reliability. These provide reward and penalty potentials aggregating approximately \$22 million for the two utilities on a combined basis.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEMPRA ENERGY
(Registrant)

Date: March 17, 2005

By: /s/ F. H. Ault

F. H. Ault
Sr. Vice President and Controller