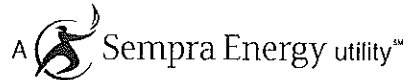




San Diego Gas & Electric  
PO Box 129831  
San Diego, CA 92112



December 31, 2005

Mr. John Hunter  
IBEW Local Union 465  
7444 Trade Street  
San Diego, CA 92121-3413

Re: Retiree Medical / Company Contribution

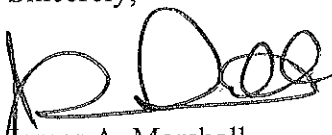
Dear Mr. Hunter:

The Company has made the decision to make the following unilateral changes to Company's medical plan for medical benefits cost sharing prior to reaching Medicare eligibility. Effective 1/1/06, employees who retire after reaching the age of 60 will be subject to the Company-determined cost sharing mechanisms for retiree medical outlined below. These pre-Medicare cost sharing levels, as in the past, are being modified unilaterally by the Company, and may be subject to further future modifications by the Company. The changes are as follows:

For employees who retire at age 60, with at least 10 years of service and who choose Company medical benefits, the Company will contribute up to \$300 of the premium costs for employees who select "Employee Only" medical coverage and up to \$600 of the premium costs for employees who select "Employee + dependents". The employee will pay any remaining costs of the premium over and above the \$300 or \$600.

This modification of the Company's contribution towards the premiums of Employee Medical is being made outside of the negotiations process.

Sincerely,



James A. Marshall  
Manager - Labor Relations

JAM:dc