Application: 09-08-xxx
Exhibit No.: ______
Witness: Michael A. Calabrese

Application of San Diego Gas & Electric Company (U 902 E) for Approval Pursuant to Public Utilities Code Section 851 to Lease Transfer Capability Rights to Citizens Energy Corporation

DIRECT TESTIMONY OF

MICHAEL A. CALABRESE

SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
October 9, 2009

236412

I. SUMMARY AND PURPOSE OF TESTIMONY

The purpose of my direct testimony is to provide an illustrative comparative analysis of annual levelized revenue requirements that include both incremental capital and expense related costs that arise as a result of San Diego Gas & Electric ("SDG&E") entering into a Development and Coordination Agreement ("DCA") with Citizens Energy Corporation ("Citizens") that would allow Citizens to lease 50 percent of the power transfer capability on a segment of the Sunrise Powerlink located in Imperial Valley ("Border-East Line").

The illustrative comparative analysis includes a "current snap shot" case for SDG&E and a current snap shot case and high case for Citizens. The SDG&E current snap shot case was prepared from the perspective that Citizens would not exercise its option under the DCA and therefore not participate in Sunrise. Conversely, the Citizens current snap shot case and high case were prepared from the perspective that Citizens would exercise its option under the DCA and participate in Sunrise. The annual levelized revenue requirements for this comparative analysis are produced from the SDG&E Representative Rate Model ("Model") referenced in the DCA with modifications made to the capital structure, depending on the case. For the SDG&E current snap shot case, the Model was modified to reflect the Federal Energy Regulatory Commission ("FERC") approved SDG&E authorized capital structure in effect as of March 31, 2009. For the Citizens current snap shot case and high case, the Model was updated to reflect the most current five-day average Moody's Aa 30-year Utility Bond Index in effect for purposes of updating the debt component of the capital structure at the time this analysis was conducted.

Table MAC-5 of this testimony shows that the annual discounted and levelized revenue requirements under the current snap shot case is slightly higher for Citizens by $77 thousand or .6% when compared to that of SDG&E. A high case was also prepared as part of the comparative analysis in order to illustrate a range of possible outcomes, depending on the level of the actual incremental costs sought by Citizens. As summarized in Table MAC-5, depending on the outcome of certain events, the annual discounted and levelized revenue requirements under the high case is $734 thousand or 5.8% higher for Citizens when compared to the current snap shot case for SDG&E.

Table MAC-1 shows the forecasted capital related costs, the largest costs reflected in the DCA, and estimated expense related costs for the current snap shot case and high case, and are explained in more detail in Section II of this testimony. The revenue requirement model and methodology used in this comparative analysis is the same model used to calculate the SDG&E Representative Rate defined in the DCA and described in more detail in Section III of this testimony. Sections IV and V explain in more detail the assumptions and analysis used to prepare the current snap shot case and high case, respectively. Lastly, Section VI provides the incremental summary results for the SDG&E current snap shot case and the Citizens current snap shot case and high case described above.

II. COSTS UNDER THE DCA

Capital Related Costs

The costs components used in the comparative analysis are defined under Section B of Schedule 2.2 of the DCA. In particular, Section 3.2.2 defines "Capital Requirements" with the single largest capital component being defined as the "Costs of Transfer Capability" in the DCA. The phrase "Costs of Transfer Capability" means 101% of the sum of the prepaid rent of Citizens' Transfer Capability as determined in the DCA plus all reasonably incurred project costs, development costs, regulatory costs, transactional costs, sales costs, use or excise tax costs, and Financing Costs (defined below) incurred by Citizens and associated with this transaction. The phrase "Financing Costs" has different meanings based on whether the phrase pertains to bridge financing or term financing. Bridge financing that Citizens may consummate prior to the term financing that Citizens will consummate for the final acquisition of its Transfer Capability includes all reasonable and customary financing costs, including without limitation, lenders' fees, consultants' fees (for Citizens and its lenders), lawyers' fees (for Citizens and its lenders), and interest associated with such bridge financing. Term financing that Citizens will consummate for the final acquisition of its Transfer Capability includes all reasonable and customary consultants' fees (for Citizens and its lenders), lawyers' fees (for Citizens and its lenders), and capitalized interest charged prior to commencement of rate recovery, and excluding any lenders' fees and any amounts set aside for reserve accounts.

The single largest component of the Cost of Transfer Capability is the prepaid rent amount which is 50% of SDG&E's actual costs of the Border-East Line (currently estimated to be approximately $83.064 million). The $83.064 million represents the fully loaded (all in) construction and development costs incurred by SDG&E that is associated with the Citizens portion of the Border-East Line and are presented in the current snap shot case for SDG&E and the current snap shot case, and high case for Citizens. This cost is shown as transmission line costs in Table MAC-1 below.

In addition to the prepaid rent costs identified above, the Cost of Transfer Capability that is input into the Model includes all reasonably incurred project costs, development costs, regulatory costs, transactional costs, sales costs, use or excise tax costs, and Financing Costs (defined above) incurred by Citizens and associated with this transaction. Citizens estimated these development costs to range from $2.8 million (presented in the current snap shot case) to $5.0 million (presented in the high case), as shown in Table MAC-1 below. These costs are incremental costs that will be incurred solely by Citizens.

Lastly, the Cost of Transfer Capability that is input into the Model includes a 1% adder that is intended to account for, among other costs, the ordinary and customary lenders' fees that

SDG&E would have incurred if it held Citizens' Transfer Capability alone. This amount is estimated to range from $859 thousand (presented in the current snap shot case) to $881 thousand (presented in the high case), as shown in Table MAC-1 below. The range of costs is calculated by taking the sum of all Transfer Capability costs of $83.064 million and development costs ranging from $2.8 million to $5.0 million times 1%.

Table MAC-1 also shows a summary side by side comparison of capital related costs applicable under the DCA as they pertain to SDG&E and Citizens respectively. Citizens could incur more capital related costs then what is shown in the summary below, but the costs presented below are allowed under the DCA and used in the comparative analysis. If Citizens were to exercise its option under the DCA and lease the power transfer capability on the Border-East Line, then Citizens would incur capital costs under the current snap shot case of $86.723 million and under the high case of $88.945 million. Likewise, if Citizens were not to exercise its option under the DCA, SDG&E would incur capital related construction costs associated with the transmission line of $83.064 million as shown in the current snap shot case of Table MAC-1.

TABLE MAC-1 San Diego Gas & Electric Comparison of Capital and Expense Related Costs Snap Shot Case, High Case	SDG&E	CITIZEN'S	
	SNAP SHOT CASE	SNAP SHOT CASE	HIGH CASE
CAPITAL RELATED COSTS			
Cost of Transfer Capability:			
Transmission Line Costs	83,064,000	83,064,000	83,064,000
Debt Financing Fees (1.0%)	-	858,640	880,640
Development & Other Costs	-	2,800,000	5,000,000
Other Financing Costs	-	-	-
Total Transfer Capability	83,064,000	86,722,640	88,944,640
EXPENSE RELATED COSTS			
O&M Expenses-SDG&E	744,000	744,000	744,000
A&G & Other Expenses-SDG&E	564,000	564,000	564,000
General & Commom Plant-SDG&E	181,000	181,000	181,000
A&G Citizen's	-	200,000	500,000
Debt Service Costs - SDG&E	415,320	-	-
Total Expense Related Costs	1,904,320	1,689,000	1,989,000

Expense Related Costs

Section B.3.2.1 of the DCA Schedule 2.2 states that Citizens shall seek recovery of all reasonably and prudent annual operations and maintenance (“O&M”) costs, including administrative and general (“A&G”) activities directly attributable to Citizens’ transfer capability in the project as recorded in FERC Accounts 560-573 and 920-935 under the FERC Uniform System of Accounts. Annual estimated O&M, A&G and other costs applicable to the Citizens portion of Sunrise that could be billed to Citizens from SDG&E are estimated to be $744 thousand and $564 thousand, respectively. These costs are shown for the current snap shot case and high case in Table MAC-1.

As described in Section 5.1 of DCA Schedule 2.2, the O&M and A&G costs described above will include an annual charge to Citizens from SDG&E for operational and maintenance support, and actual applicable overheads that apply to the entire Sunrise Powerlink over the 30-year contract period. These applicable overheads include an allocated portion of General and Common plant costs used to support the Sunrise project. The General and Common plant costs include, but are not limited to, capital costs for office building, furniture, computer equipment, communication equipment, and tools. The annual estimated General and Common plant costs applicable to the Citizens portion of Sunrise that could be billed to Citizens from SDG&E are estimated to be $181 thousand. These costs for the current snap shot case and high case are also shown in Table MAC-1. As a result, whether Citizens were to exercise its option under the DCA and participate in Sunrise or not, these O&M, A&G, and overhead costs would be considered pass through costs from either SDG&E or Citizens' perspective and from a comparative view point have zero incremental financial impact on this analysis.

Lastly, if Citizens were to exercise its option under the DCA, then it would likely incur its own incremental A&G costs above what would be billed by SDG&E. These A&G costs were estimated by Citizen's to range from $200 thousand as presented in the current snap shot case and could increase up to $500 thousand as presented in the high case. These annual incremental costs reflect those that are required for Citizens to carry out its responsibilities under the DCA, to perform the role of a Participating Transmission Owner ("PTO") in the CAISO, including representing Citizens' interest in the Boarder-East Line as a PTO and addressing changes which will be required over time to the CAISO Tariff, the Transmission Control Agreement and other key CAISO arrangements, and to participate in the CAISO's ongoing billing and settlements processes, which are further addressed in Section IV of this testimony.

III. THE REPRESENTATIVE RATE MODEL

The SDG&E Representative Rate is determined by the Model identified in Exhibit 2.2A of the DCA. The Model produces a high level revenue requirement calculation that incorporates a ratemaking cost of service methodology consistent with SDG&E's current practices. As described in the testimony of SDG&E witness James Avery, the Model was included as part of the DCA in an effort to establish a cost of capital cap that would be substantially similar to the cost of capital SDG&E could recover at the time Sunrise went into commercial operation for the life of the project if SDG&E held its interest in Sunrise without Citizens' participation.

In order to determine the SDG&E Representative Rate or cap that applies to Citizens, certain variable parameters must be entered into the Model: (1) five-day average Moody's Aa 30-year Utility Bond Index as set forth in the Bloomberg LLC system, mnemonic MOODUAA, (2) the actual Costs of Transfer Capability (defined above), and (3) the portion of the actual Costs of Transfer Capability that is actual SDG&E Allowance for Funds Used During Construction ("AFUDC"). When populated with the variable parameters, the Model will produce a discounted annual levelized revenue requirement derived from capital related costs, including the Cost of Transfer Capability as defined in the DCA over the 30 years contract period. The Model produces annual revenue requirements that are added together over a 58 year period (the average service life of Sunrise) and discounted at the weighted average cost of capital ("WACC") presented in the Model. The WACC shown in the Model that is part of Exhibit 2.2b of the DCA is 8.49% and is shown in Table MAC-2 below. The discounted sum of the revenue requirements is then levelized over the 30-year lease period to produce a single annual revenue requirement.

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San Diego Gas & Electric				
DCA Model				
Capital Structure				
Table MAC-2				
Calculation of WACC		Capital Ratio	Cost	WACC
Debt		50.00%	5.62%	2.81%
Preferred Equity		0.00%	0.00%	0.00%
Common Equity		50.00%	11.35%	5.68%
		100.00%		8.49%

The Model in Exhibit 2.2b of the DCA also assumes a 50% debt, 50% equity capital structure as shown in Table MAC-2, and currently sets the cost of debt financing at 5.62%, which represents SDG&E's estimated debt rate over 30 years. This estimated debt rate is calculated by taking the five-day average Moody's Aa 30-year Utility Bond Index less 38 basis points at the time the Model was developed. The debt rate will be adjusted only once and remain fixed for 30 years upon Citizens exercising its option under the DCA. The common equity rate shown in Table MAC-2 will remain fixed at 11.35% for 30 years.

The detailed components of the revenue requirement that are calculated by the Model include depreciation, interest expense on debt financing, taxes, and return on common equity. Property taxes are calculated at the fixed rate of 1.246%, and federal and state income taxes are fixed at the statutory rate of 40.75%. The Model produces a detailed calculation of rate base adopted from the FERC perspective, which takes into consideration the normalization of both federal and state deferred taxes. The Model also incorporates a calculation for working cash. Working cash is computed by multiplying total estimated annual O&M expenses by one-eighth. The resulting amount represents 45 days of O&M expenses. This method, which is accepted by FERC, is used in the Model because a traditional working cash study based on historical data related to Sunrise operations is not yet available.

In summary, the SDG&E Representative Rate produced by the Model represents a ceiling for Citizens, but it is possible that the ultimate FERC-approved Citizens capital cost recovery rate may be lower than the SDG&E Representative Rate. As noted above, per the DCA, Citizens would be bound by the lower rate. Also, FERC must approve Citizens' incremental A&G costs and Development Costs.

IV. SNAP SHOT CASE ASSUMPTIONS AND ANALYSIS RESULTS

The Model described in Section III was modified for the SDG&E current snap shot case and the Citizens current snap shot case in order to produce the comparative analysis in Table MAC-3. The Model was modified in order to produce what the discounted annual levelized revenue requirements would look like today for all snap shot case capital related costs presented Table MAC-1. For the SDG&E current snap shot case, SDG&E modified the capital structure in the Model to include its actual capital structure as of March 31, 2009**,** consistent with the methodology adopted in SDG&E's currently-effective FERC-approved Transmission Owner Formula ("TO3") and reflected in SDG&E's TO3, Cycle 3 filing proposing rates to become effective September 1, 2009. Specifically, the Model includes SDG&E's capital structure of 42% Debt with a debt rate of 5.21%, preferred equity of 2% with a preferred rate of 6.14%, and common equity of 56% with a return on equity ("ROE") of 11.35%, yielding a WACC of 8.67% currently in effect. For the Citizens current snap shot case, the Model was simply updated for the most recent five-day average Moody's Aa 30-year Utility Bond Index of 5.48% less 38 basis points. This update produced a capital structure of 50% debt with a debt rate of 5.10%, and a common equity of 50% with a ROE of 11.35%, yielding a WACC of 8.23%.

If Citizens were not to participate in Sunrise by not exercising its option under the DCA, then SDG&E for the current snap shot case would retain the $83.064 million of "all in" construction costs as shown in Table MAC-1. The $83.064 million was entered into the modified Model which included AFUDC of $10.060 million producing annual revenue requirements with a WACC of 8.67% over the 58 year average service life period of Sunrise. These annual revenue requirements were then discounted at the same WACC of 8.67%, summed, and levelized over a 30 year period to produce a single annual revenue requirement for the snap shot case of $10.748 million as shown in Table MAC-3.

Likewise, if Citizens were to exercise its option under the DCA, its Cost of Transfer Capability for the current snap shot case is estimated to be $86.723 as shown in Table MAC-1. The $86.723 million was entered into the updated Model which included AFUDC of $10.060 million producing annual revenue requirements with a WACC of 8.23% over the 58 year average service life period of Sunrise. These annual revenue requirements were then discounted at the current SDG&E WACC of 8.67%, summed, and levelized over a 30 year period to produce a single annual revenue requirement for the snap shot case of (the SDG&E Representative Rate or capital cost recovery cap for Citizens) of $10.569 million, as shown in Table MAC-3.

The annual O&M expenses of $744 thousand, A&G expenses of $564 thousand, and General and Common plant overheads of $181 thousand for both SDG&E and Citizens shown in Table MAC-I of Section II were escalated at a rate of 2.5% annually over the 30 year period. The O&M, A&G, and General and Common plant overheads were not escalated over the entire 58 years period since the DCA period is for 30 years, and Citizens would not incur any of these costs after year 30. SDG&E would however incur costs for years 31-58, but in order to show meaningful comparative results, the O&M, A&G, and General and Common plant overhead costs for SDG&E were also stopped at the end of 30 years. The sum of these costs were then discounted back over 30 years and levelized over 30 years using the current SDG&E WACC discount rate of 8.67%. The comparison resulted in no variance between SDG&E and Citizens as shown in Table MAC-3.

Under the DCA, Citizens can also seek recovery of incremental A&G costs that would be solely incurred by Citizens as a result of its participation in Sunrise. These A&G costs of $200 thousand for the Citizens current snap shot case are referenced in Section II of this testimony. The $200 thousand of A&G costs were escalated at 2.5% annually over 30 years, summed, discounted and levelized over 30 years at the SDG&E WACC of 8.67% to produce a single annual levelized amount of $264 thousand.

Lastly, if Citizen were not to exercise its option under the DCA, SDG&E would incur debt financing fees of 1% on the estimated construction cost of the transmission line of $83.064 million. This amount has been identified in Table MAC-1 as $415 thousand, and is amortized annually over the 58 year period consistent with how debt service fees are currently treated for accounting and ratemaking purposes by SDG&E. These annual amortized amounts were discounted over 58 years at 8.67%, summed, and levelized over 30 years at the current SDG&E WACC of 8.67%.

In summary, Table MAC-3 shows the comparative results of the sum of annual revenue requirements discounted and levelized over 30 years for both capital and expense related costs for Citizens and SDG&E. The SDG&E current snap shot case incorporates a higher WACC of 8.67%, lower capital related costs, and a slight increase in expense related costs associated with debt service fees when compared to Citizens. When discounted at the same WACC of 8.67%, the annual levelized revenue requirement over 30 years is $12.722 million. The Citizens current snap shot case incorporates a lower WACC of 8.23% when calculating the annual revenue requirements, higher capital related costs, and an increase in expense related costs associated with its own incremental A&G costs when compared to SDG&E. Assuming the current SDG&E WACC of 8.67% for discounting, the annual levelized revenue requirement over 30 years for the Citizens snap shot case is $12.799 million. When comparing the SDG&E current snap shot case to that of Citizens, the net results is that Citizens is slightly higher than SDG&E by $77 thousand annually or .6%.

While the capital cost recovery of the rates that Citizens will charge will be fixed for the term of 30 years (see Section III), the rates that SDG&E will charge will be subject to change. This has the potential to provide a significant advantage to customers if SDG&E's cost of equity were to increase. At this juncture, while SDG&E is not prepared to forecast what might be approved in the way of ROE in the future, it is safe to say that SDG&E's cost of equity will change based on the future of equity markets. If this were to occur, then the current snap shot case for SDG&E would likely increase above that of Citizens providing substantial benefits to customers over the 30 year contract period.

TABLE MAC-3
San Diego Gas & Electric
SDG&E Snap Shot Case vs Citizen's Snap Shot Case
Revenue Requirement Summary

Cost Category	SDG&E NPV 58 Yrs Annual Levelized 30 Yrs	CITIZEN'S NPV 58 Yrs Annual Levelized 30 Yrs	VARIANCE Higher / (Lower)	%
Capital Related Costs:				
Cost Of Transfer Capability	$10,748,106	$10,568,979	($179,127)	
Subtotal Capital Related Revenue Requirement	$10,748,106	$10,568,979	($179,127)	-1.7%
Expense Related Costs:				
O&M, A&G, & General & Commom Plant	$1,965,742	$1,965,742	$0	
Incremetal A&G Costs - Citizens	$0	$264,035	$264,035	
Debt Service Costs - SDG&E	$8,071	$0	($8,071)	
Subtotal Expense Related Costs	$1,973,812	$2,229,777	$255,964	13.0%
Total Revenue Requirement on All Costs	$12,721,918	$12,798,755	$76,837	0.6%
Discount Rates	8.67%	8.67%		

V. HIGH CASE ASSUMPTIONS AND ANALYSIS RESULTS

The analysis described in this Section compares the identical SDG&E current snap shot case presented in Section IV with a high case prepared for Citizens. The assumptions for the Citizens high case are explained in more detail below and the comparative results with the SDG&E current snap shot case are shown on Table MAC-4.

The Model that was updated for the Citizens current snap shot case was also used in the high case comparative analysis. More specifically, the same debt and equity capital structure and applicable rates in the Model remained unchanged producing a WACC of 8.23%. It is important to note in this regard that should the cost of long term debt financing increase subsequent to Citizens' exercise of its option under the DCA, the Model will cap the cost of capital that may be reflected in Citizens' rates. This capped cost of capital is based on SDG&E's 11.35% equity return allowance and the most recent five-day average Moody's Aa 30-year Utility Bond Index less 38 basis points at the time the option is exercised -- currently 5.1% based on a Moody's Index of 5.48% less 38 basis points. This produces an overall return cap of 8.23% using a 50/50 capital structure. As noted above, assuming SDG&E's cost of equity changes based on the future of equity markets, this capital cost protection would not exist without Citizens' involvement in the Border-East Line.

A key assumption used in the Citizens high case is the higher capital related costs shown on Table MAC-1. If Citizens were to exercise its option under the DCA, its Cost of Transfer Capability for the high case is estimated to be $88.945 million as shown in Table MAC-1. Included in this amount is the higher range of incremental development costs of $5.0 million for Citizens along with higher debt service costs of $881 thousand. The $88.945 million was entered into the updated Model which included AFUDC of $10.060 million, producing annual revenue requirements with a WACC of 8.23% over the 58 year average service life period of Sunrise. These annual revenue requirements were then discounted at the current SDG&E WACC of 8.67%, summed, and levelized over a 30 year period to produce a single annual revenue requirement for the Citizens high case of $10.830 million, as shown in Table MAC-4.

The annual O&M expenses of $744 thousand, A&G expenses of $564 thousand, and General and Common plant overheads of $181 thousand are pass through costs for Citizens from

SDG&E and are shown in Table MAC-I of Section II and do not vary between Citizens' snap shot case and its high case. These costs were escalated at a rate of 2.5% annually over the 30 year period, discounted at 8.67%, and levelized identical to what was presented in the current snap shot case for Citizens and have no impact on this comparative analysis.

Under the DCA, Citizens can also seek recovery of incremental A&G costs that would be solely incurred by Citizens as a result of its participation in Sunrise. The other key assumption which changed in the Citizens' high case was A&G costs of $500 thousand which represent an upper estimate of costs for the Citizens' high case for the activities referenced in Section II of this testimony and shown on Table MAC-1. The $500 thousand of A&G costs were escalated at 2.5% annually over 30 years, summed, discounted and levelized over 30 years at the SDG&E WACC of 8.67% to produce a single annual levelized amount of $660 thousand.

In summary, Table MAC-4 shows the comparative results of the sum of annual revenue requirements discounted and levelized over 30 years for both capital and expense related costs for the Citizens high case and the SDG&E current snap shot case. The SDG&E current snap shot case incorporates a higher WACC of 8.67%, lower capital related costs, and a slight increase in expense related costs associated with debt service fees when compared to the Citizens high case. This produces a discounted annual levelized revenue requirement over 30 years of $12.722 million. The Citizens high case incorporates the lower WACC of 8.23% when calculating the annual revenue requirements, a higher range of capital related costs, and a higher range of its own incremental A&G costs when compared to SDG&E. Assuming the current SDG&E WACC of 8.67% for discounting, the annual levelized revenue requirement over 30 years for the Citizens high case is $13.456 million. When comparing the SDG&E current snap shot case to that of the Citizens high case, the net results is that Citizens is higher than SDG&E

by $734 thousand annually or 5.8%.

TABLE MAC-4 San Diego Gas & Electric SDG&E Snap Shot Case vs Citizen's High Case Revenue Requirement Summary				
Cost Category	SDG&E NPV 58 Yrs Annual Levelized 30 Yrs	CITIZEN'S NPV 58 Yrs Annual Levelized 30 Yrs	VARIANCE Higher / (Lower)	%
Capital Related Costs:				
Cost Of Transfer Capability	$10,748,106	$10,829,680	$81,574	
Subtotal Capital Related Revenue Requirement	$10,748,106	$10,829,680	$81,574	0.8%
Expense Related Costs:				
O&M, A&G, & General & Commom Plant	$1,965,742	$1,965,742	$0	
Incremetal A&G Costs - Citizens	$0	$660,088	$660,088	
Debt Service Costs - SDG&E	$8,071	$0	($8,071)	
Subtotal Expense Related Costs	$1,973,812	$2,625,829	$652,017	33.0%
Total Revenue Requirement on All Costs	$12,721,918	$13,455,509	$733,591	5.8%
Discount Rates	8.67%	8.67%		

VI. COMPARATIVE SUMMARY RESULTS CURRENT SNAP SHOT CASE AND HIGH CASE

Table MAC-5, below, summarizes the incremental net results when comparing the SDG&E current snap shot case to the Citizens current snap shot case and high case. The net result of comparing the SDG&E current snap shot case to the Citizens current snap shot case results in Citizens being slightly higher than SDG&E by $77 thousand or .6%. The net result of comparing the SDG&E current snap shot case to the Citizens high case results in Citizens being higher than SDG&E by $734 thousand or 5.8%.

TABLE MAC-5 San Diego Gas & Electric Incremental Comparative Results SDG&E Snap Shot Case vs Citizen's Snap Shot Case & High Case Revenue Requirement Summary				
Cost Category	SDG&E-SSC vs Citizen's BC NPV 58 Yrs Annual Levelized 30 Yrs Citizen's Higher/(Lower)	%	SDG&E-SSC vs Citizen's HC NPV 58 Yrs Annual Levelized 30 Yrs Citizen's Higher/(Lower)	
Capital Related Costs:				
Subtotal Capital Related Revenue Requirement	($179,127)	-1.7%	$81,574	0.8%
Expense Related Costs:				
Subtotal Expense Related Costs	$255,964	13.0%	$652,017	33.0%
Total Revenue Requirement on All Costs	**$76,837**	**0.6%**	**$733,591**	**5.8%**
Discount Rates	8.67%		8.67%	

It should be noted that FERC must approve the revenue requirement that Citizens would be allowed to charge customers over the 30-year DCA period. This would require FERC to approve both the incremental developmental and A&G costs for Citizens as described in Section II of this testimony, as well as a cost of capital structure. Thus, it is possible that FERC could approve an annual levelized revenue requirement for Citizens that would fall below that produced by the Model. If this were to occur, customers would benefit from the lower revenue requirement, as compared to the SDG&E snap shot case, over the 30 year DCA period.

VII. QUALIFICATIONS

My name is Michael A. Calabrese. I am employed with Southern California Gas Company (SoCalGas). My business address is 555 W. Fifth Street, Los Angeles, California, 90013-1011. I am currently Manager – Regulatory Case Financial in the Regulatory and Finance Department and am responsible for the calculation of revenue requirements for specific cases or projects filed before the CPUC. In addition I am also responsible for conducting financial analysis and project evaluations requiring the use of and the development of various revenue requirement models. I have held this position since June 2005.

I received a Bachelor of Science degree in Accounting and Management (double major) from California State University, Northridge, in 1981. I am a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. I continue to maintain my license with practice rights by adhering to continuing professional education requirements. I began my employment in June 1981 in the Internal Audit Department of Pacific Lighting Corporation, then parent company of SoCalGas. In 1982, I joined Pacific Interstate Company, a regulated subsidiary of Pacific Lighting Corporation, and held various positions of increasing responsibility including Supervisor of Fixed Asset Accounting, Budgeting, and Payroll. In February 1994, I joined SoCalGas as a Senior Depreciation Analyst in support of the company's General Rate Case (GRC). Later in 1995, I rejoined the Internal Audit Department until transferring to the Business Planning Department of SoCalGas in 1998 were I held the position of Principal Business Analyst until being promoted to my current position.

This concludes my direct testimony.