

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) for authorization to: (1) issue certain tax exempt Debt Securities (First Mortgage Bonds, debentures, overseas indebtedness, foreign securities, medium-term notes, accounts receivable financing) in order to guarantee the obligations of others, and to enter into long-term loans, in an aggregate principal amount up to \$750 million of debt capital, in addition to previously-authorized amounts; (2) include certain features in the Debt Securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of the debt portfolio and with the goal of lowering the cost of money for the benefit of ratepayers; (3) hedge planned issuances of Debt Securities, (4) obtain certain exemptions from the Commission's Competitive Bidding Rule; and (5) take all other necessary, related actions.

Application No. 11-10- \_\_\_\_  
(Filed October 17, 2011)

Application No. 11-10- \_\_\_\_  
Exhibit No. \_\_\_\_\_

**PREPARED DIRECT TESTIMONY OF**

**JACK S. LEWIS**

**ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

**OCTOBER 17, 2011**

1 **PREPARED DIRECT TESTIMONY OF**

2 **JACK S. LEWIS**

3 **I. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR CURRENT**  
4 **POSITION?**

5 I am employed by SDG&E as Financial Services Manager.

6 **II. WHAT ARE YOUR PRINCIPAL RESPONSIBILITIES?**

7 My principal responsibilities include Treasury analysis, Regulatory and Finance support,  
8 business planning, forecasting and financial analysis.

9 **III. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
10 **PROFESSIONAL EXPERIENCE.**

11 I possess a Bachelor of Science degree in Business Administration from San Diego State  
12 University and a Master of Science from San Diego State University. I have held a variety of  
13 financial positions in Sempra Energy & SDG&E.

14 **IV. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE CALIFORNIA PUBLIC**  
15 **UTILITIES COMMISSION?**

16 Yes. I have previously provided testimony before the Commission on various debt  
17 applications.

18 **V. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 The purpose of my testimony is to sponsor Schedules I through XI, which are attached to  
20 this testimony.

21 **VI. PLEASE DESCRIBE SCHEDULES I THROUGH XI.**

22 Schedules I through XI provide various financial data for use by the Commission in  
23 assessing San Diego Gas & Electric Company's (SDG&E's) long-term financing application.

1 The schedules follow the same order and format as those that have accompanied previous  
2 SDG&E long-term financing applications.

- 3 • Schedule I is a three-year forecast of the Company's capital expenditures.
- 4 • Schedules II and IIIa summarize SDG&E's 2012 - 2014 cash flows on a monthly  
5 and annual basis, respectively.
- 6 • Schedule IIIb presents the ratio of capital expenditures to internally-generated  
7 funds over the three-year planning horizon.
- 8 • Schedule IV sets out SDG&E's unreimbursed capital construction position as of  
9 June 30, 2011.
- 10 • Schedule V delineates SDG&E's 2010 California and non-California revenues.
- 11 • Schedules VI and VII provide details about SDG&E's 2010 and 2011 long-term  
12 financing activities.
- 13 • Schedule VIII calculates SDG&E's §823(c) short-term borrowing allowance.
- 14 • Schedule IX presents SDG&E's capital ratios at June 30, 2011 and also reflects in  
15 pro-forma fashion how SDG&E's maximum requested and current remaining  
16 long-term borrowing authority would affect the Company's capital structure.  
17 This also reflects the common equity that would be needed to re-balance  
18 SDG&E's capital structure to the CPUC's authorized common equity target  
19 of 49%.
- 20 • Schedule X provides a detailed calculation of the application fee required by  
21 Public Utilities Code §1904(b), and Schedule XI details SDG&E's long term debt  
22 portfolio at June 30, 2011.

1 **VII. DOES THIS COMPLETE YOUR TESTIMONY?**

2 Yes.

# Schedules

**Schedule I**  
**San Diego Gas & Electric Company**  
**Construction Budgeted**  
(\$ millions)

	2012	2013	2014
Gas T&D, Elect Dist. And Generation	\$580 - \$600	\$570 - \$670	\$660 - \$760
Electric Transmission	800 - 870	150 - 225	150 - 250
Common/Other	330 - 340	150 - 175	350 - 450
Total Cash Required for Construction Expenditures	<b><u>\$1,710 - \$1,810</u></b>	<b><u>\$870 - \$1,070</u></b>	<b><u>\$1,160 - \$1,460</u></b>

**Schedule II**  
**San Diego Gas & Electric Company**  
**2012 Monthly Cash Flow Projections (\$ millions)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY 2012
Cash (short-term debt) beginning balance	(100)	(90)	(80)	(70)	(80)	(90)	100	80	60	30	-	(40)	(100)
Change in Free Cash Flow <sup>1</sup>	10	10	10	(10)	(10)	(60)	(20)	(20)	(30)	(30)	(40)	(70)	(260)
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Common	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term debt	-	-	-	-	-	250	-	-	-	-	-	-	250
Cash (short-term debt) beginning balance	(90)	(80)	(70)	(80)	(90)	100	80	60	30	-	(40)	(110)	(110)

<sup>1</sup>Projections are based on mid-point estimates and are subject to change.

**Schedule II**  
**San Diego Gas & Electric Company**  
**2013 Monthly Cash Flow Projections (\$ millions)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY 2013
Cash (short-term debt) beginning balance	(110)	(90)	(70)	(60)	(60)	(60)	(50)	20	40	50	50	60	(110)
Change in Free Cash Flow <sup>1</sup>	20	20	10	-	-	10	20	20	10	-	10	(70)	50
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Common <sup>2</sup>	-	-	-	-	-	-	(200)	-	-	-	-	-	(200)
Long term debt	-	-	-	-	-	-	250	-	-	-	-	-	250
Cash (short-term debt) beginning balance	(90)	(70)	(60)	(60)	(60)	(50)	20	40	50	50	60	(10)	(10)

<sup>1</sup>Projections are based on mid-point estimates and are subject to change.

<sup>2</sup>Common Dividend of \$200 million projected for 2013 and is subject to change.



**Schedule II**  
**San Diego Gas & Electric Company**  
**2014 Monthly Cash Flow Projections (\$ millions)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FY 2014
Cash (short-term debt) beginning balance	(10)	-	20	40	10	(10)	(160)	20	30	30	10	(20)	(10)
Change in Free Cash Flow <sup>1</sup>	10	20	20	(30)	(20)	(20)	(20)	10	-	(20)	(30)	(60)	(140)
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Common <sup>2</sup>	-	-	-	-	-	-	(300)	-	-	-	-	-	(300)
Long term debt	-	-	-	-	-	(130)	500	-	-	-	-	-	370
Cash (short-term debt) beginning balance	-	20	40	10	(10)	(160)	20	30	30	10	(20)	(80)	(80)

<sup>1</sup>Projections are based on mid-point estimates and are subject to change.

<sup>2</sup>Common Dividend of \$300 million projected for 2014 and is subject to change.

**Schedule IIIa**  
**San Diego Gas & Electric Company**  
**Statement of Cash Requirements for the Years 2012, 2013, and 2014**  
(\$ millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Funds for construction (capital expenditures)	(\$1,760)	(\$970)	(\$1,310)
Maturing long-term debt <sup>1</sup>	-	-	(130)
Beginning of year cash (short-term debt) balance	<u>(100)</u>	<u>(110)</u>	<u>(10)</u>
Subtotal	(1,860)	(1,080)	(1,450)
Less: Estimated cash from internal sources	<u>1,500</u>	<u>1,020</u>	<u>1,170</u>
External funds required	(360)	(60)	(280)
External funds provided:			
Common	-	(200)	(300)
Preferred stock	-	-	-
Long-term debt <sup>2</sup>	<u>250</u>	<u>250</u>	<u>500</u>
End of year cash (short term debt) balance	<u>(\$110)</u>	<u>(\$10)</u>	<u>(\$80)</u>
	<u>(110)</u>	<u>(10)</u>	<u>(80)</u>

<sup>1</sup>See following page for detailed breakdown.

<sup>2</sup>Amount ultimately raised will be a function of the Company's access to long-term capital markets at the time funds are required & the updated cash flow forecast at the time of issuance.

**Schedule IIIa (continued)**  
**San Diego Gas & Electric Company**  
**Statement of Cash Requirements for the Years 2012, 2013, and 2014**  
(\$ millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Maturing long-term debt (June 2014 next maturity):	\$0	\$0	(\$130)
Total	<u>-</u>	<u>-</u>	<u>(130)</u>

**Schedule IIIb**  
**San Diego Gas & Electric Company**  
**Amount and Percentage of Internal Funds Provided**  
(\$ millions)

<u>Year</u>	<u>Internal Sources</u>	<u>Internal Sources as % Construction Expenditures</u>
2012	\$1,500	85%
2013	\$1,020	105%
2014	\$1,170	89%

**Schedule IV**  
**San Diego Gas & Electric Company**  
**Statement of Unreimbursed Construction**

Net utility plant		\$ 6,389,933,915
Net proceeds from securities:		
Preferred stock	\$ (78,475,400)	
Common stock	(771,123,763)	
Premium on capital stock	(591,282,978)	
Long-term debt	<u>(2,940,625,000)</u>	
Total net proceeds		\$ (4,381,507,141)
Advances for construction		<u>(15,810,882)</u>
Total deductions		<u>(4,397,318,023)</u>
Unreimbursed construction as of June 30, 2011		<u><u>\$ 1,992,615,892</u></u>

**Schedule V**  
**San Diego Gas & Electric Company**  
**Fiscal Year 2010 Revenue Data<sup>1</sup>**  
(\$ millions)

Company operating revenue	\$3,049
California operating revenue	\$3,049
California operating revenue % company	100%
Company net income before preferred dividend requirements	\$374
Sales for resale	-

<sup>1</sup>All figures above are 2010 actuals.

**Schedule VI**  
**San Diego Gas & Electric Company**  
**2010 & 2011 Historical Financing Data Through September 30th, 2011**

<b>Date</b>	<b>Transaction</b>	<b>Principal amount</b>
May 13, 2010	Issued first-mortgage bond Series HHH	\$250 million
August 26, 2010	Issued first-mortgage bond Series III	\$500 million
August 15, 2011	Issued first-mortgage bond Series JJJ	\$350 million

**Schedule VII**  
**San Diego Gas & Electric Company**  
**2011 Remaining Projected Financing**

<b>Date</b>	<b>Transaction</b>	<b>Principal amount</b>
4th Quarter 2011	New first-mortgage bonds	\$250 million <sup>1</sup>

<sup>1</sup>Amount ultimately raised will be a function of the Company's access to long-term capital markets and the updated cash flow forecast at the time the funds are required.



**Schedule VIII**  
**San Diego Gas & Electric Company**  
**Short-Term Financing in Excess of CPUC Code §823 (c) Allowance**  
(\$ thousands)

	<u>June 30, 2011</u>
Common stock issued	\$771,124
Preferred and preference stock	78,475
Long-term debt (excluding capital leases)	<u>2,940,625</u>
Total capitalization at June 30, 2011	<u><u>3,790,224</u></u>
5% allowed by CPUC Code §823 (c)	189,511
Maximum anticipated amount of short-term debt needed	<u>589,511</u>
Total excess financing authority required	400,000
Current excess financing authority requested in Application A.11-08-003	<u>400,000</u>
Additional short-term financing authority requested in this application	<u><u>\$0</u></u>

**Schedule IX**  
**San Diego Gas & Electric Company**  
<sup>1</sup> **Capital Ratios As Of June 30, 2011 and Pro-forma**  
(\$ thousands)

	<b>6/30/11 Actual</b>		<b>Pro-forma, showing the effect of all current &amp; requested authority</b>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>Long-term Debt</b>				
Long-term debt, capitalized leases and other <sup>2</sup>	\$2,940,625		\$2,940,625	
<i>Requested new long-term borrowing authority</i>	-		750,000	
<i>Currently remaining long-term borrowing authority</i>	-		519,260	
<i>Long-term debt issued in August, 2011</i>			350,000	
Less: After-tax loss on reacquired debt	(12,515)		(12,515)	
Total long-term debt	<u>2,928,110</u>	<u>45.2%</u>	<u>4,547,370</u>	<u>46.1%</u>
<b>Preferred Equity</b>				
Current balance	78,475		78,475	
<i>Currently remaining preferred stock issuance authority</i>			402,360	
Total preferred equity	<u>78,475</u>	<u>1.2%</u>	<u>480,835</u>	<u>4.9%</u>
<b>Common Equity</b>				
Common equity held by Sempra Corp.	3,468,919	53.6%	3,468,919	
<i>Additional Common equity to reach 49% common target</i>			1,360,000	
Total common equity			<u>4,828,919</u>	<u>49.0%</u>
<b>Total Capitalization</b>	<u><u>6,475,504</u></u>	<u><u>100.0%</u></u>	<u><u>9,857,124</u></u>	<u><u>100.0%</u></u>

<sup>1</sup> The above pro forma ratios demonstrate how SDG&E's maximum requested and currently existing long-term financing authority would affect SDG&E's capital structure if it were all issued on June 30, 2011. Additionally, the pro forma assumes that additional common equity is added to balance out the resulting capital structure towards CPUC Authorized Targets of 49% common, 5.75% preferred & 45.25% long-term debt. The resulting ratios reflect the hypothetical change assuming all of the currently and existing financing authority is added along with additional common equity amounts that would achieve SDG&E's 49% common equity target.

<sup>2</sup> Excludes capital leases of \$737 million, which relates to the power purchase agreements with Otay Mesa Energy Center, LLC, El Cajon Energy Center, LLC and Orange Grove Energy, L.P.

**Schedule X**  
**San Diego Gas & Electric Company**  
**Computation of Fee**

Item	Amount	Rate	Fee
\$750 million of long-term borrowing authority	\$ 1,000,000	\$2 per thousand	\$ 2,000
	9,000,000	\$1 per thousand	9,000
	<u>740,000,000</u>	\$0.50 per thousand	<u>370,000</u>
	<u>\$ 750,000,000</u>	Total fee required	<u>\$ 381,000</u>

**Schedule XI**  
**San Diego Gas & Electric Debt Outstanding**  
**June 30, 2011**

<u>No.</u>	<u>Type</u> <sup>1</sup>	<u>Bond</u>	<u>Maturity</u>	<u>Principal</u> <u>(\$ millions)</u>
1	PCB	Series KK / CPCFA91A	06/01/15	14.4
2	PCB	Series RR / CPCFA93A	06/01/21	60.0
3	IDB	Series OO4 / CV92D	12/01/27	45.0
4	IDB	Series OO2 / CV92B	12/01/27	60.0
5	IDB	Series OO3 / CV92C	12/01/27	45.0
6	PCB	Series CPCFA96A	06/01/14	129.8
7	IDB	Series CV96A	07/01/21	38.9
8	IDB	Series CV96B	12/01/21	60.0
9	IDB	Series CV97A	03/01/23	25.0
10	IDB	Series VV/ CV04A	02/15/34	43.6
11	IDB	Series WW/ CV04B	02/15/34	40.0
12	IDB	Series XX/ CV04C	02/15/34	35.0
13	IDB	Series YY/ CV04D	01/01/34	24.0
14	IDB	Series ZZ/ CV04E	01/01/34	33.7
15	IDB	Series AAA/ CV04F	05/01/39	75.0
16	FMB	Series BBB	05/15/35	250.0
17	FMB	Series CCC	11/15/15	250.0
18	FMB	Series DDD	06/01/26	250.0
19	FMB	Series EEE/CV06A	07/01/18	161.2
20	FMB	Series FFF	09/15/37	250.0
21	FMB	Series GGG	06/01/39	300.0
22	FMB	Series HHH	05/15/40	250.0
23	FMB	Series III	08/15/40	500.0
Total				\$ 2,940.6

<sup>1</sup> "IDB" = Industrial Development Bonds

"PCB" = Pollution Control Bonds and are tax exempt

"FMB" = First Mortgage Bonds

*Note: \$350 million Series JJJ issued 8/15/11 with maturity of 8/15/21 and is not included on the above 6/30/11 detail. Additionally, as noted on Schedule VII SDG&E plans on issuing \$250 million of FMBs in November, 2011 (final amounts and timing are subject to change)*