

DEPARTMENT OF THE NAVY
OFFICE OF THE GENERAL COUNSEL
NAVAL FACILITIES ENGINEERING COMMAND SOUTHWEST
1 AVENUE OF THE PALMS, SUITE 161
SAN FRANCISCO, CA 94130

September 06, 2012

BY E-MAIL

Laura M. Earl, Esq.
San Diego Gas and Electric Company
101 Ash Street, HQ-12
San Diego, CA 92101

Re: San Diego Gas and Electric Company
Cost of Capital (A.12-04-016)
THIRD SET OF FEA DATA REQUESTS TO SDG&E

Dear Ms. Earl:

The Federal Executive Agencies hereby request that the materials identified in the enclosed Third Set of Data Requests be provided to our consultant, Stephen G. Hill.

The responses to this data request may be forwarded electronically to our consultant at hillassociates@gmail.com. Please also send copies to Khojasteh Davoodi at khojasteh.davoodi@navy.mil, Norman Furuta at norman.furuta@navy.mil, Rita Liotta at rita.liotta@navy.mil, and me at john.cummins@navy.mil. To the extent the responses cannot be sent by e-mail, they may be sent by overnight delivery service to us at the following addresses as the responses become available:

Stephen G. Hill
Hill Associates
P.O. Box 587
Hurricane, WV 25526
(304) 562-3645

Khojasteh Davoodi
ACQ-Utility Rates and Studies Office
Naval Facilities Engineering Command-HQ
1322 Patterson AV, SE - Building 33
Washington Navy Yard, DC 20374-5018
(202) 685-0130

Rita Liotta
Federal Executive Agencies
1 Avenue of the Palms, Suite 161
San Francisco, CA 94130
(415) 743-4702

We request that your responses to this set of data requests be delivered to Mr. Hill's office if possible no later than September 12, 2012. Please inform me as soon as possible if this deadline cannot be met.

If you have any questions regarding this request, I can be reached at (415) 743-4718.

Yours truly,

/s/ JOHN M. CUMMINS

JOHN M. CUMMINS
Associate Counsel

electronic copy to:

LEarl@SempraUtilities.com

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SAN DIEGO GAS AND ELECTRIC COMPANY
Cost of Capital Filings
CPUC A. 12-04-016

The Federal Executive Agencies' Third Set of Data Requests to SDG&E

QUESTIONS FOR SDG&E WITNESS MORIN

<u>Item No.</u>	<u>Description</u>
FEA-SDG&E 03-01	To the extent not already provided, please provide complete copies of each article, treatise or bond rating agency report cited in the witness's Rebuttal testimony. If the witness cites a textbook, please provide a complete copy of the chapter in the textbook containing the cite.
FEA- SDG&E 03-02	<p>[Re: Morin Rebuttal, p. 84]</p> <p>a) Are equity cost estimates provided by Discounted Cash Flow models market-based returns? If not, please explain why not and provide cites to the financial literature supporting that premise.</p> <p>b) Are equity cost estimates provided by the Capital Asset Pricing Model market-based returns? If not, please explain why not and provide cites to the financial literature supporting that premise.</p> <p>c) Are equity cost estimates provided by Empirical Capital Asset Pricing Model analyses market-based returns? If not, please explain why not and provide cites to the financial literature supporting that premise.</p> <p>d) Are equity cost estimates provided by bond yield-plus-risk premium analyses market-based returns? If not, please explain why not and provide cites to the financial literature supporting that premise.</p>
FEA- SDG&E 03-03	<p>[Re: Morin Rebuttal, p. 93, ll. 1,2]</p> <p>a) Please provide evidence to support Dr. Morin's statement that utility market prices were trading "near book value," during the 1980 through 1984 period (the time prior to the publication of Dr. Morin's book).</p> <p>b) Please also provide evidence to show that the difference between utility stock prices and market prices "was not an important issue when Professor Gordon developed the model in the mid-1960's."</p>

FEA- SDG&E 03-04

[Re: Morin Rebuttal, 97, ll. 18-20] At the cited portion of Dr. Morin's testimony he states: "If a utility's ROE is reduced, the amount of capital offered by investors would decline, as shareholders seek alternative investment options."

- a) Please provide the support for that statement.
- b) Allowed utility returns have been declining for years, please provide any evidence that shows the decline in allowed ROE has caused a commensurate decline in the amount of equity capital invested in utilities.

(END OF THIRD SET OF FEA DATA REQUESTS)