

**TURN DATA REQUEST**  
**TURN-SDGE-DR-03**  
**SDG&E 2012 COST OF CAPITAL – A.12-04-016**  
**SDG&E RESPONSE**  
**DATE RECEIVED: JULY 19, 2012**  
**DATE RESPONDED: JULY 22, 2012**

- 1) Please provide any studies SDG&E has conducted that estimate the overall annual revenue requirement increase related specifically to hypothetically-higher borrowing costs, collateral requirements, and higher purchased power costs as are result of a hypothetical reduction in SDG&E's credit rating. Please ensure that the study or any other answer you provide includes an itemization and explanation of all relevant assumptions (e.g., timeframe, ratebase, baseline collateral requirement and purchased power costs, etc.).

**Response:**

SDG&E has not conducted studies based on such hypothetical scenarios, but Mr. Schlax states the following on pp. 1-2 of his prepared direct testimony:

Ensuring that SDG&E is capitalized as an "A"-rated investment will result in a lower cost of capital that will benefit ratepayers for years to come. Prudent financial management of long-term costs will continuously benefit ratepayers because once long-term debt instruments or preferred stock is issued, the associated service costs remain with the Company for many years. In order for SDG&E to finance its investments at a lower overall cost of capital, which ultimately benefits ratepayers, investors need to perceive SDG&E as a safe place to invest with a return that is competitive with similar investment options. If, on the other hand, SDG&E does not maintain its high standing in the investment community, the Company may not have the same access to low-cost debt that it has today, and ratepayers will feel the impact for years to come.

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- 2) Please calculate and provide the overall revenue requirement on the hypothetical basis of (a) an ROE of 10.9% (SDG&E's request), and (b) an ROE of 9.6% (the lower end of SDG&E's stated results range (p. 64, line 12)), using SDG&E's projected 2013 ratebase.

**Response:**

SDG&E objects to this request as not reasonably calculated to lead to the discovery of relevant, admissible evidence, because (1) SDG&E's revenue requirement will be determined based on the evidence in A.10-12-005 and not in this proceeding; (2) SDG&E used 2011 actual rate base, not a projected 2013 rate base, to calculate revenue requirement impact in this proceeding; and (3) SDG&E's requested ROE in this proceeding is 11%, not 10.9%.

Subject to and without waiving this objection, SDG&E responds as follows: SDG&E has not performed the requested calculations using the identified hypothetical variables and has not used a projected 2013 rate base in this case.