

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) for authorization to: (1) issue Debt Securities (First Mortgage Bonds, debentures, overseas indebtedness, foreign securities, medium-term notes, accounts receivable financing), and to enter into long-term loans, in an aggregate principal amount up to \$800 million of debt capital, in addition to previously-authorized amounts; (2) issue certain tax-exempt Debt Securities in order to guarantee the obligations of others; (3) 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; (4) issue and sell up to \$150 million of par or stated-value Preferred or Preference Stock, in addition to previously-authorized amounts; (5) hedge planned issuances of Debt Securities, Preferred or Preference Stock; (6) obtain certain exemptions from the Commission's Competitive Bidding Rule; and (7) take all other necessary, related actions.

Application No. 10-05- ____

Exhibit No. _____

**DIRECT TESTIMONY OF GARY H. HAYES
FOR SAN DIEGO GAS & ELECTRIC COMPANY**

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

May 17, 2010

DIRECT TESTIMONY OF GARY H. HAYES

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Please state your qualifications.

I, Gary Hugh Hayes, am employed by Sempra Energy as a corporate finance manager. My primary responsibility is the planning and execution of transactions involving securities, derivatives, and currencies. I also advise the Sempra Energy Utilities on various financial matters. I hold degrees from Wake Forest University and Dartmouth College and have worked in the defense, automotive, oil, and banking industries. I joined San Diego Gas & Electric Company's ("SDG&E's") financial-services department in 1995, and since the 1998 formation of Sempra Energy have served primarily in the treasury department. I have testified before the California Public Utilities Commission ("Commission") on several topics, including financing authority and cost of capital matters.

What is the purpose of this testimony?

The purpose of my testimony is to support features of the long-term securities for which SDG&E seeks authority in the instant application. These features are more fully described in the body of the instant application.

Please explain why it is reasonable for the Commission to authorize long-term securities with the features described in the body of the instant application.

1 | Judicious use of long-term securities with the features described in the body of
2 | the instant application will allow SDG&E to raise, in a variety of capital-market
3 | settings, the funds necessary to serve its customers at the lowest cost.

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5 | **Does this complete your testimony?**

6 | Yes.