

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No.	Exact Name of Registrant as Specified in its Charter, Address of Principal Executive Office and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.	Former name, former address and former fiscal year, if changed since last report
1-14201	SEMPRA ENERGY 488 8th Avenue San Diego, California 92101 (619) 696-2000	California	33-0732627	No change
				
1-03779	SAN DIEGO GAS & ELECTRIC COMPANY 8326 Century Park Court San Diego, California 92123 (619) 696-2000	California	95-1184800	No change
				
1-01402	SOUTHERN CALIFORNIA GAS COMPANY 555 West Fifth Street Los Angeles, California 90013 (213) 244-1200	California	95-1240705	No change
				

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
SEMPRA ENERGY:		
Sempra Energy Common Stock, without par value	SRE	NYSE
Sempra Energy 6% Mandatory Convertible Preferred Stock, Series A, \$100 liquidation preference	SREPRA	NYSE
Sempra Energy 6.75% Mandatory Convertible Preferred Stock, Series B, \$100 liquidation preference	SREPRB	NYSE
Sempra Energy 5.75% Junior Subordinated Notes Due 2079, \$25 par value	SREA	NYSE

SAN DIEGO GAS & ELECTRIC COMPANY:

None

SOUTHERN CALIFORNIA GAS COMPANY:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Sempra Energy	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Sempra Energy	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Sempra Energy:

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company Emerging Growth Company

San Diego Gas & Electric Company:

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company Emerging Growth Company

Southern California Gas Company:

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Sempra Energy	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Sempra Energy	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Southern California Gas Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

Indicate the number of shares outstanding of each of the issuers’ classes of common stock, as of the latest practicable date.

Common stock outstanding on August 4, 2020:

Sempra Energy	289,259,674 shares
San Diego Gas & Electric Company	Wholly owned by Enova Corporation, which is wholly owned by Sempra Energy
Southern California Gas Company	Wholly owned by Pacific Enterprises, which is wholly owned by Sempra Energy

SEMPRA ENERGY FORM 10-Q
SAN DIEGO GAS & ELECTRIC COMPANY FORM 10-Q
SOUTHERN CALIFORNIA GAS COMPANY FORM 10-Q
TABLE OF CONTENTS

	<i>Page</i>
Glossary	4
Information Regarding Forward-Looking Statements	6
<hr/>	
PART I – FINANCIAL INFORMATION	
Item 1.	8
Financial Statements	
Notes to Condensed Consolidated Financial Statements	
Note 1. General Information and Other Financial Data	29
Note 2. New Accounting Standards	51
Note 3. Revenues	52
Note 4. Regulatory Matters	56
Note 5. Acquisitions, Divestitures and Discontinued Operations	59
Note 6. Investments in Unconsolidated Entities	61
Note 7. Debt and Credit Facilities	63
Note 8. Derivative Financial Instruments	65
Note 9. Fair Value Measurements	71
Note 10. San Onofre Nuclear Generating Station	77
Note 11. Commitments and Contingencies	80
Note 12. Segment Information	88
Item 2.	90
Management’s Discussion and Analysis of Financial Condition and Results of Operations	
Overview	91
Results of Operations	91
Capital Resources and Liquidity	103
Critical Accounting Policies and Estimates	116
New Accounting Standards	116
Item 3.	116
Quantitative and Qualitative Disclosures About Market Risk	
Item 4.	117
Controls and Procedures	
<hr/>	
PART II – OTHER INFORMATION	
Item 1.	118
Legal Proceedings	
Item 1A.	119
Risk Factors	
Item 6.	120
Exhibits	
Signatures	123

This combined report is separately filed by Sempra Energy, San Diego Gas & Electric Company and Southern California Gas Company. Information contained herein relating to any one of these individual reporting companies is filed by such company on its own behalf. Each company makes statements herein only as to itself and its consolidated subsidiaries and makes no statement whatsoever as to any other company.

You should read this report in its entirety as it pertains to each respective reporting company. No one section of the report deals with all aspects of the subject matter. Separate Part I – Item 1 sections are provided for each reporting company, except for the Notes to Condensed Consolidated Financial Statements. The Notes to Condensed Consolidated Financial Statements for all of the reporting companies are combined. All Items other than Part I – Item 1 are combined for the three reporting companies.

The following terms and abbreviations appearing in the text of this report have the meanings indicated below.

GLOSSARY

2019 GRC FD	final decision in the California Utilities' 2019 General Rate Case
AB	California Assembly Bill
AEP	American Electric Power Company, Inc.
AFUDC	allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2019
AOCI	accumulated other comprehensive income (loss)
ARO	asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bay Gas	Bay Gas Storage Company, Ltd.
Bechtel	Bechtel Oil, Gas and Chemicals, Inc.
Blade	Blade Energy Partners
bps	basis points
CalGEM	California Geologic Energy Management Division (formerly known as Division of Oil, Gas, and Geothermal Resources or DOGGR)
California Utilities	San Diego Gas & Electric Company and Southern California Gas Company, collectively
Cameron LNG JV	Cameron LNG Holdings, LLC
CARB	California Air Resources Board
CCM	cost of capital adjustment mechanism
CENACE	Centro Nacional de Control de Energía (Mexico's National Energy Control Center)
CFE	Comisión Federal de Electricidad (Mexico's Federal Electricity Commission)
Chilquinta Energía	Chilquinta Energía S.A. and its subsidiaries
COFECE	Comisión Federal de Competencia Económica (Mexico's Competition Commission)
COVID-19	coronavirus disease 2019
CPMA	COVID-19 Pandemic Protections Memorandum Account
CPUC	California Public Utilities Commission
CRE	Comisión Reguladora de Energía (Mexico's Energy Regulatory Commission)
CRR	congestion revenue right
DOE	U.S. Department of Energy
ECA LNG JV	ECA LNG Holdings B.V.
ECA LNG Regasification	Energía Costa Azul, S. de R.L. de C.V. regasification
Ecogas	Ecogas México, S. de R.L. de C.V.
Edison	Southern California Edison Company, a subsidiary of Edison International
EFH	Energy Future Holdings Corp. (renamed Sempra Texas Holdings Corp.)
Eletrans	Eletrans S.A., Eletrans II S.A. and Eletrans III S.A., collectively
EPC	engineering, procurement and construction
EPS	earnings per common share
ESJ	Energía Sierra Juárez, S. de R.L. de C.V.
ETR	effective income tax rate
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings
FTA	Free Trade Agreement
GCIM	Gas Cost Incentive Mechanism
GHG	greenhouse gas
GRC	General Rate Case
HMRC	United Kingdom's Revenue and Customs Department
IEnova	Infraestructura Energética Nova, S.A.B. de C.V.
IMG JV	Infraestructura Marina del Golfo
InfraREIT	InfraREIT, Inc.
IOU	investor-owned utility
IRS	Internal Revenue Service
ISFSI	independent spent fuel storage installation
ISO	Independent System Operator
JV	joint venture
LA Superior Court	Los Angeles County Superior Court
Leak	the leak at the SoCalGas Aliso Canyon natural gas storage facility injection-and-withdrawal well, SS25, discovered by SoCalGas on October 23, 2015
LIBOR	London Interbank Offered Rate
LNG	liquefied natural gas
LPG	liquid petroleum gas

GLOSSARY (CONTINUED)

Luz del Sur	Luz del Sur S.A.A. and its subsidiaries
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Mississippi Hub	Mississippi Hub, LLC
MMBtu	million British thermal units (of natural gas)
Moody's	Moody's Investors Service
MOU	Memorandum of Understanding
Mtpa	million tonnes per annum
MWh	megawatt hour
NCI	noncontrolling interest(s)
NDT	nuclear decommissioning trusts
NEIL	Nuclear Electric Insurance Limited
NOL	net operating loss
OCI	other comprehensive income (loss)
OII	Order Instituting Investigation
O&M	operation and maintenance expense
Oncor	Oncor Electric Delivery Company LLC
Oncor Holdings	Oncor Electric Delivery Holdings Company LLC
Otay Mesa VIE	Otay Mesa Energy Center LLC VIE
PG&E	Pacific Gas and Electric Company
PPA	power purchase agreement
PP&E	property, plant and equipment
PUCT	Public Utility Commission of Texas
RBS	The Royal Bank of Scotland plc
RBS SEE	RBS Sempra Energy Europe
RBS Sempra Commodities	RBS Sempra Commodities LLP
ROE	return on equity
ROU	right-of-use
RSU	restricted stock unit
SB	California Senate Bill
SDG&E	San Diego Gas & Electric Company
SEC	U.S. Securities and Exchange Commission
STIH	Sempra Texas Intermediate Holding Company LLC
Securities Purchase Agreement	securities purchase agreement among Sharyland Utilities, LP, SU Investment Partners, L.P., Sempra Texas Utilities Holdings I, LLC (a wholly owned subsidiary of Sempra Energy) and Sempra Energy
SEDATU	Secretaría de Desarrollo Agrario, Territorial y Urbano (Mexican agency in charge of agriculture, land and urban development)
Sempra Global	holding company for most of Sempra Energy's subsidiaries not subject to California or Texas utility regulation
SENER	Secretaría de Energía de México (Mexico's Ministry of Energy)
series A preferred stock	Sempra Energy's 6% mandatory convertible preferred stock, series A
series B preferred stock	Sempra Energy's 6.75% mandatory convertible preferred stock, series B
series C preferred stock	Sempra Energy's 4.875% fixed-rate reset cumulative redeemable perpetual preferred stock, series C
Sharyland Holdings	Sharyland Holdings, L.P.
Sharyland Utilities	Sharyland Utilities, L.L.C.
SoCalGas	Southern California Gas Company
SONGS	San Onofre Nuclear Generating Station
S&P	Standard & Poor's
TAG JV	TAG Norte Holding, S. de R.L. de C.V.
TCJA	Tax Cuts and Jobs Act of 2017
TdM	Termoeléctrica de Mexicali
TechnipFMC	TP Oil & Gas Mexico, S. De R.L. De C.V., an affiliate of TechnipFMC plc
Tecnored	Tecnored S.A.
Tecsur	Tecsur S.A.
TO4	Electric Transmission Owner Formula Rate, effective through May 31, 2019
TO5	Electric Transmission Owner Formula Rate, effective June 1, 2019
TTHC	Texas Transmission Holdings Corporation
TTI	Texas Transmission Investment LLC
U.S. GAAP	accounting principles generally accepted in the United States of America
VAT	value-added tax
Ventika	Ventika, S.A.P.I. de C.V. and Ventika II, S.A.P.I. de C.V., collectively
VIE	variable interest entity
Wildfire Fund	the fund established pursuant to AB 1054
Wildfire Legislation	AB 1054 and AB 111

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this report that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on assumptions with respect to the future, involve risks and uncertainties, and are not guarantees of performance. Future results may differ materially from those expressed in the forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the filing date of this report. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors.

In this report, forward-looking statements can be identified by words such as “believes,” “expects,” “anticipates,” “plans,” “estimates,” “projects,” “forecasts,” “should,” “could,” “would,” “will,” “confident,” “may,” “can,” “potential,” “possible,” “proposed,” “target,” “pursue,” “outlook,” “maintain,” or similar expressions, or when we discuss our guidance, strategy, goals, vision, mission, opportunities, projections or intentions.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to:

- California wildfires and the risk that we may be found liable for damages regardless of fault and the risk that we may not be able to recover any such costs from insurance, the Wildfire Fund or in rates from customers;
- decisions, investigations, regulations, issuances of permits and other authorizations, renewal of franchises, and other actions by (i) the CFE, CPUC, DOE, PUCT, and other regulatory and governmental bodies and (ii) states, cities, counties and other jurisdictions in the U.S., Mexico and other countries in which we operate or do business;
- the success of business development efforts, construction projects and major acquisitions and divestitures, including risks in (i) the ability to make a final investment decision and completing construction projects on schedule and budget, (ii) obtaining the consent of partners, (iii) counterparties’ financial or other ability to fulfill contractual commitments, (iv) the ability to complete contemplated acquisitions, and (v) the ability to realize anticipated benefits from any of these efforts once completed;
- the impact of the COVID-19 pandemic on our (i) ability to commence and complete capital and other projects and obtain regulatory approvals, (ii) supply chain and current and prospective counterparties, contractors, customers, employees and partners, (iii) liquidity, resulting from bill payment challenges experienced by our customers, including in connection with a CPUC-ordered suspension of service disconnections, decreased stability and accessibility of the capital markets and other factors, and (iv) ability to sustain operations and satisfy compliance requirements due to social distancing measures or if employee absenteeism were to increase significantly;
- the resolution of civil and criminal litigation, regulatory inquiries, investigations and proceedings, and arbitrations;
- actions by credit rating agencies to downgrade our credit ratings or to place those ratings on negative outlook and our ability to borrow at favorable interest rates;
- moves to reduce or eliminate reliance on natural gas and the impact of the extreme volatility and unprecedented decline of oil prices on our businesses and development projects;
- weather, natural disasters, accidents, equipment failures, computer system outages and other events that disrupt our operations, damage our facilities and systems, cause the release of harmful materials, cause fires and subject us to liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits), may be disputed by insurers or may otherwise not be recoverable through regulatory mechanisms or may impact our ability to obtain satisfactory levels of affordable insurance;
- the availability of electric power and natural gas and natural gas storage capacity, including disruptions caused by failures in the transmission grid, limitations on the withdrawal or injection of natural gas from or into storage facilities, and equipment failures;
- cybersecurity threats to the energy grid, storage and pipeline infrastructure, the information and systems used to operate our businesses, and the confidentiality of our proprietary information and the personal information of our customers and employees;
- expropriation of assets, the failure of foreign governments and state-owned entities to honor the terms of contracts, and property disputes;
- the impact at SDG&E on competitive customer rates and reliability due to the growth in distributed and local power generation, including from departing retail load resulting from customers transferring to Direct Access, Community Choice Aggregation or other forms of distributed or local power generation, and the risk of nonrecovery for stranded assets and contractual obligations;
- Oncor’s ability to eliminate or reduce its quarterly dividends due to regulatory and governance requirements and commitments, including by actions of Oncor’s independent directors or a minority member director;

- volatility in foreign currency exchange, interest and inflation rates and commodity prices and our ability to effectively hedge the risk of such volatility;
- changes in trade policies, laws and regulations, including tariffs and revisions to or replacement of international trade agreements, such as the newly effective United States-Mexico-Canada Agreement, that may increase our costs or impair our ability to resolve trade disputes;
- the impact of changes to U.S. federal and state and foreign tax laws and our ability to mitigate adverse impacts; and
- other uncertainties, some of which may be difficult to predict and are beyond our control.

We caution you not to rely unduly on any forward-looking statements. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described herein, in our Annual Report and in other reports that we file with the SEC.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SEMPRA ENERGY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)			
REVENUES				
Utilities	\$ 2,233	\$ 1,895	\$ 4,898	\$ 4,410
Energy-related businesses	293	335	657	718
Total revenues	2,526	2,230	5,555	5,128
EXPENSES AND OTHER INCOME				
Utilities:				
Cost of natural gas	(131)	(136)	(468)	(667)
Cost of electric fuel and purchased power	(260)	(263)	(489)	(519)
Energy-related businesses cost of sales	(51)	(63)	(110)	(171)
Operation and maintenance	(898)	(838)	(1,849)	(1,670)
Depreciation and amortization	(412)	(389)	(824)	(772)
Franchise fees and other taxes	(121)	(112)	(258)	(242)
Gain on sale of assets	—	66	—	66
Other income (expense), net	62	28	(192)	110
Interest income	22	21	49	42
Interest expense	(274)	(258)	(554)	(518)
Income from continuing operations before income taxes and equity earnings	463	286	860	787
Income tax (expense) benefit	(168)	(47)	39	(89)
Equity earnings	233	118	496	219
Income from continuing operations, net of income tax	528	357	1,395	917
Income from discontinued operations, net of income tax	1,777	78	1,857	36
Net income	2,305	435	3,252	953
Earnings attributable to noncontrolling interests	(28)	(45)	(179)	(86)
Preferred dividends	(37)	(35)	(73)	(71)
Preferred dividends of subsidiary	(1)	(1)	(1)	(1)
Earnings attributable to common shares	\$ 2,239	\$ 354	\$ 2,999	\$ 795
Basic EPS:				
Earnings from continuing operations	\$ 1.58	\$ 1.03	\$ 3.93	\$ 2.82
Earnings from discontinued operations	\$ 6.06	\$ 0.26	\$ 6.31	\$ 0.07
Earnings	\$ 7.64	\$ 1.29	\$ 10.24	\$ 2.89
Weighted-average common shares outstanding	293,060	274,987	292,925	274,831
Diluted EPS:				
Earnings from continuing operations	\$ 1.58	\$ 1.01	\$ 3.91	\$ 2.78
Earnings from discontinued operations	\$ 6.03	\$ 0.25	\$ 6.00	\$ 0.07
Earnings	\$ 7.61	\$ 1.26	\$ 9.91	\$ 2.85
Weighted-average common shares outstanding	294,155	279,619	307,962	278,424

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)

	Sempra Energy shareholders' equity				Noncontrolling interests (after-tax)	Total
	Pretax amount	Income tax (expense) benefit	Net-of-tax amount			
	(unaudited)					
Three months ended June 30, 2020 and 2019						
2020:						
Net income	\$ 3,619	\$ (1,342)	\$ 2,277	\$ 28	\$ 2,305	
Other comprehensive income (loss):						
Foreign currency translation adjustments	662	—	662	5	667	
Financial instruments	(15)	4	(11)	(2)	(13)	
Pension and other postretirement benefits	(3)	—	(3)	—	(3)	
Total other comprehensive income	644	4	648	3	651	
Comprehensive income	4,263	(1,338)	2,925	31	2,956	
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)	
Comprehensive income, after preferred dividends of subsidiary	\$ 4,262	\$ (1,338)	\$ 2,924	\$ 31	\$ 2,955	
2019:						
Net income	\$ 466	\$ (76)	\$ 390	\$ 45	\$ 435	
Other comprehensive income (loss):						
Foreign currency translation adjustments	14	—	14	2	16	
Financial instruments	(90)	30	(60)	(8)	(68)	
Pension and other postretirement benefits	21	(6)	15	—	15	
Total other comprehensive loss	(55)	24	(31)	(6)	(37)	
Comprehensive income	411	(52)	359	39	398	
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)	
Comprehensive income, after preferred dividends of subsidiary	\$ 410	\$ (52)	\$ 358	\$ 39	\$ 397	
Six months ended June 30, 2020 and 2019						
2020:						
Net income	\$ 4,229	\$ (1,156)	\$ 3,073	\$ 179	\$ 3,252	
Other comprehensive income (loss):						
Foreign currency translation adjustments	524	—	524	(15)	509	
Financial instruments	(203)	57	(146)	(14)	(160)	
Pension and other postretirement benefits	21	(2)	19	—	19	
Total other comprehensive income (loss)	342	55	397	(29)	368	
Comprehensive income	4,571	(1,101)	3,470	150	3,620	
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)	
Comprehensive income, after preferred dividends of subsidiary	\$ 4,570	\$ (1,101)	\$ 3,469	\$ 150	\$ 3,619	
2019:						
Net income	\$ 1,136	\$ (269)	\$ 867	\$ 86	\$ 953	
Other comprehensive income (loss):						
Foreign currency translation adjustments	46	—	46	6	52	
Financial instruments	(158)	52	(106)	(12)	(118)	
Pension and other postretirement benefits	25	(7)	18	—	18	
Total other comprehensive loss	(87)	45	(42)	(6)	(48)	
Comprehensive income	1,049	(224)	825	80	905	
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)	
Comprehensive income, after preferred dividends of subsidiary	\$ 1,048	\$ (224)	\$ 824	\$ 80	\$ 904	

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	June 30, 2020	December 31, 2019 ⁽¹⁾
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,894	\$ 108
Restricted cash	33	31
Accounts receivable – trade, net	1,022	1,261
Accounts receivable – other, net	406	455
Due from unconsolidated affiliates	91	32
Income taxes receivable	121	112
Inventories	267	277
Regulatory assets	303	222
Greenhouse gas allowances	80	72
Assets held for sale in discontinued operations	—	445
Other current assets	423	324
Total current assets	7,640	3,339
Other assets:		
Restricted cash	3	3
Due from unconsolidated affiliates	603	742
Regulatory assets	1,973	1,930
Nuclear decommissioning trusts	1,062	1,082
Investment in Oncor Holdings	11,758	11,519
Other investments	2,197	2,103
Goodwill	1,602	1,602
Other intangible assets	208	213
Dedicated assets in support of certain benefit plans	463	488
Insurance receivable for Aliso Canyon costs	505	339
Deferred income taxes	224	155
Greenhouse gas allowances	552	470
Right-of-use assets – operating leases	578	591
Wildfire fund	378	392
Assets held for sale in discontinued operations	—	3,513
Other long-term assets	694	732
Total other assets	22,800	25,874
Property, plant and equipment:		
Property, plant and equipment	51,346	49,329
Less accumulated depreciation and amortization	(13,401)	(12,877)
Property, plant and equipment, net	37,945	36,452
Total assets	\$ 68,385	\$ 65,665

⁽¹⁾ Derived from audited financial statements.
See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Dollars in millions)

	June 30, 2020	December 31, 2019 ⁽¹⁾
	(unaudited)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 3,143	\$ 3,505
Accounts payable – trade	1,302	1,234
Accounts payable – other	145	179
Due to unconsolidated affiliates	9	5
Dividends and interest payable	539	515
Accrued compensation and benefits	350	476
Regulatory liabilities	569	319
Current portion of long-term debt and finance leases	2,285	1,526
Reserve for Aliso Canyon costs	256	9
Greenhouse gas obligations	80	72
Liabilities held for sale in discontinued operations	—	444
Other current liabilities	917	866
Total current liabilities	9,595	9,150
Long-term debt and finance leases	20,535	20,785
Deferred credits and other liabilities:		
Due to unconsolidated affiliates	267	195
Pension and other postretirement benefit plan obligations, net of plan assets	1,068	1,067
Deferred income taxes	2,574	2,577
Deferred investment tax credits	20	21
Regulatory liabilities	3,432	3,741
Asset retirement obligations	2,950	2,923
Greenhouse gas obligations	402	301
Liabilities held for sale in discontinued operations	—	1,052
Deferred credits and other	2,156	2,048
Total deferred credits and other liabilities	12,869	13,925
Commitments and contingencies (Note 11)		
Equity:		
Preferred stock (50 million shares authorized):		
Mandatory convertible preferred stock, series A (17.25 million shares outstanding)	1,693	1,693
Mandatory convertible preferred stock, series B (5.75 million shares outstanding)	565	565
Preferred stock, series C (0.9 million shares outstanding)	889	—
Common stock (750 million shares authorized; 293 million and 292 million shares outstanding at June 30, 2020 and December 31, 2019, respectively; no par value)	7,490	7,480
Retained earnings	13,511	11,130
Accumulated other comprehensive income (loss)	(542)	(939)
Total Sempra Energy shareholders' equity	23,606	19,929
Preferred stock of subsidiary	20	20
Other noncontrolling interests	1,760	1,856
Total equity	25,386	21,805
Total liabilities and equity	\$ 68,385	\$ 65,665

⁽¹⁾ Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Six months ended June 30,	
	2020	2019
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,252	\$ 953
Less: Income from discontinued operations, net of income tax	(1,857)	(36)
Income from continuing operations, net of income tax	1,395	917
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	824	772
Deferred income taxes and investment tax credits	(94)	(12)
Gain on sale of assets	—	(66)
Equity earnings	(496)	(219)
Foreign currency transaction losses (gains), net	110	(11)
Share-based compensation expense	36	39
Other	49	(21)
Intercompany activities with discontinued operations, net	—	64
Net change in other working capital components	375	84
Insurance receivable for Aliso Canyon costs	(166)	80
Changes in other noncurrent assets and liabilities, net	35	(104)
Net cash provided by continuing operations	2,068	1,523
Net cash (used in) provided by discontinued operations	(1,041)	181
Net cash provided by operating activities	1,027	1,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(2,198)	(1,651)
Expenditures for investments and acquisitions	(140)	(1,391)
Proceeds from sale of assets	5	902
Purchases of nuclear decommissioning trust assets	(797)	(497)
Proceeds from sales of nuclear decommissioning trust assets	797	497
Advances to unconsolidated affiliates	(25)	(16)
Repayments of advances to unconsolidated affiliates	—	9
Intercompany activities with discontinued operations, net	—	(2)
Other	17	13
Net cash used in continuing operations	(2,341)	(2,136)
Net cash provided by (used in) discontinued operations	5,195	(131)
Net cash provided by (used in) investing activities	2,854	(2,267)

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Dollars in millions)

	Six months ended June 30,	
	2020	2019
	(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	(567)	(483)
Preferred dividends paid	(71)	(71)
Issuances of preferred stock	891	—
Issuances of common stock	13	20
Repurchases of common stock	(64)	(18)
Issuances of debt (maturities greater than 90 days)	4,059	2,630
Payments on debt (maturities greater than 90 days) and finance leases	(1,970)	(871)
Decrease in short-term debt, net	(1,871)	(444)
Advances from unconsolidated affiliates	64	—
Purchases of noncontrolling interests	(27)	(28)
Other	(16)	(41)
Net cash provided by continuing operations	441	694
Net cash provided by (used in) discontinued operations	401	(83)
Net cash provided by financing activities	842	611
Effect of exchange rate changes in continuing operations	(7)	—
Effect of exchange rate changes in discontinued operations	(3)	—
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(10)	—
Increase in cash, cash equivalents and restricted cash, including discontinued operations	4,713	48
Cash, cash equivalents and restricted cash, including discontinued operations, January 1	217	246
Cash, cash equivalents and restricted cash, including discontinued operations, June 30	\$ 4,930	\$ 294
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	\$ 540	\$ 514
Income tax payments, net of refunds	1,303	64
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	\$ 434	\$ 417
Increase in finance lease obligations for investment in property, plant and equipment	56	16
Equitization of long-term debt for deficit held by NCI	22	—
Preferred dividends declared but not paid	37	36
Common dividends issued in stock	22	27
Common dividends declared but not paid	305	266

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Dollars in millions)

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Sempra Energy shareholders' equity	Non-controlling interests	Total equity
(unaudited)							
Three months ended June 30, 2020							
Balance at March 31, 2020	\$ 2,258	\$ 7,472	\$ 11,577	\$ (1,190)	\$ 20,117	\$ 1,998	\$ 22,115
Net income			2,277		2,277	28	2,305
Other comprehensive income				648	648	3	651
Share-based compensation expense		14			14		14
Dividends declared:							
Series A preferred stock (\$1.50/share)			(26)		(26)		(26)
Series B preferred stock (\$1.69/share)			(9)		(9)		(9)
Series C preferred stock (\$1.63/share)			(2)		(2)		(2)
Common stock (\$1.04/share)			(305)		(305)		(305)
Preferred dividends of subsidiary			(1)		(1)		(1)
Issuance of series C preferred stock	889				889		889
Issuances of common stock		10			10		10
Repurchases of common stock		(7)			(7)		(7)
Noncontrolling interest activities:							
Distributions						(1)	(1)
Purchases		1			1	(12)	(11)
Deconsolidation						(236)	(236)
Balance at June 30, 2020	\$ 3,147	\$ 7,490	\$ 13,511	\$ (542)	\$ 23,606	\$ 1,780	\$ 25,386

Three months ended June 30, 2019							
Balance at March 31, 2019	\$ 2,258	\$ 5,568	\$ 10,337	\$ (817)	\$ 17,346	\$ 2,124	\$ 19,470
Net income			390		390	45	435
Other comprehensive loss				(31)	(31)	(6)	(37)
Share-based compensation expense		18			18		18
Dividends declared:							
Series A preferred stock (\$1.50/share)			(26)		(26)		(26)
Series B preferred stock (\$1.69/share)			(9)		(9)		(9)
Common stock (\$0.97/share)			(266)		(266)		(266)
Preferred dividends of subsidiary			(1)		(1)		(1)
Issuances of common stock		23			23		23
Repurchases of common stock		(4)			(4)		(4)
Noncontrolling interest activities:							
Distributions						(8)	(8)
Purchases						(2)	(2)
Deconsolidation						(159)	(159)
Balance at June 30, 2019	\$ 2,258	\$ 5,605	\$ 10,425	\$ (848)	\$ 17,440	\$ 1,994	\$ 19,434

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(Dollars in millions)

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Sempra Energy shareholders' equity	Non-controlling interests	Total equity
(unaudited)							
Six months ended June 30, 2020							
Balance at December 31, 2019	\$ 2,258	\$ 7,480	\$ 11,130	\$ (939)	\$ 19,929	\$ 1,876	\$ 21,805
Adoption of ASU 2016-13			(7)		(7)	(2)	(9)
Adjusted balance at December 31, 2019	2,258	7,480	11,123	(939)	19,922	1,874	21,796
Net income			3,073		3,073	179	3,252
Other comprehensive income				397	397	(29)	368
Share-based compensation expense		36			36		36
Dividends declared:							
Series A preferred stock (\$3.00/share)			(52)		(52)		(52)
Series B preferred stock (\$3.38/share)			(19)		(19)		(19)
Series C preferred stock (\$1.63/share)			(2)		(2)		(2)
Common stock (\$2.09/share)			(611)		(611)		(611)
Preferred dividends of subsidiary			(1)		(1)		(1)
Issuance of series C preferred stock	889				889		889
Issuances of common stock		35			35		35
Repurchases of common stock		(64)			(64)		(64)
Noncontrolling interest activities:							
Distributions						(1)	(1)
Purchases		3			3	(30)	(27)
Acquisition						1	1
Equitization of long-term debt for deficit held by NCI						22	22
Deconsolidation						(236)	(236)
Balance at June 30, 2020	\$ 3,147	\$ 7,490	\$ 13,511	\$ (542)	\$ 23,606	\$ 1,780	\$ 25,386
Six months ended June 30, 2019							
Balance at December 31, 2018	\$ 2,258	\$ 5,540	\$ 10,104	\$ (764)	\$ 17,138	\$ 2,110	\$ 19,248
Adoption of ASU 2016-02			17		17		17
Adoption of ASU 2018-02			40	(42)	(2)		(2)
Adjusted balance at December 31, 2018	2,258	5,540	10,161	(806)	17,153	2,110	19,263
Net income			867		867	86	953
Other comprehensive loss				(42)	(42)	(6)	(48)
Share-based compensation expense		39			39		39
Dividends declared:							
Series A preferred stock (\$3.00/share)			(52)		(52)		(52)
Series B preferred stock (\$3.38/share)			(19)		(19)		(19)
Common stock (\$1.94/share)			(531)		(531)		(531)
Preferred dividends of subsidiary			(1)		(1)		(1)
Issuances of common stock		47			47		47
Repurchases of common stock		(18)			(18)		(18)
Noncontrolling interest activities:							
Distributions						(12)	(12)
Purchases		(3)			(3)	(25)	(28)
Deconsolidation						(159)	(159)
Balance at June 30, 2019	\$ 2,258	\$ 5,605	\$ 10,425	\$ (848)	\$ 17,440	\$ 1,994	\$ 19,434

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)			
Operating revenues				
Electric	\$ 1,090	\$ 973	\$ 2,140	\$ 1,913
Natural gas	145	121	364	326
Total operating revenues	1,235	1,094	2,504	2,239
Operating expenses				
Cost of electric fuel and purchased power	260	265	491	523
Cost of natural gas	31	34	91	113
Operation and maintenance	326	276	636	562
Depreciation and amortization	197	189	398	375
Franchise fees and other taxes	73	67	151	141
Total operating expenses	887	831	1,767	1,714
Operating income	348	263	737	525
Other income, net	18	19	49	41
Interest income	—	1	1	2
Interest expense	(103)	(102)	(204)	(205)
Income before income taxes	263	181	583	363
Income tax expense	(70)	(35)	(128)	(40)
Net income	193	146	455	323
Earnings attributable to noncontrolling interest	—	(3)	—	(4)
Earnings attributable to common shares	\$ 193	\$ 143	\$ 455	\$ 319

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in millions)

	SDG&E shareholder's equity				Noncontrolling interest (after-tax)	Total
	Pretax amount	Income tax expense	Net-of-tax amount			
	(unaudited)					
Three months ended June 30, 2020 and 2019						
2020:						
Net income	\$ 263	\$ (70)	\$ 193	\$ —	\$	193
Other comprehensive income (loss):						
Pension and other postretirement benefits	5	(1)	4	—		4
Total other comprehensive income	5	(1)	4	—		4
Comprehensive income	\$ 268	\$ (71)	\$ 197	\$ —	\$	197
2019:						
Net income	\$ 178	\$ (35)	\$ 143	\$ 3	\$	146
Other comprehensive income (loss):						
Pension and other postretirement benefits	1	—	1	—		1
Total other comprehensive income	1	—	1	—		1
Comprehensive income	\$ 179	\$ (35)	\$ 144	\$ 3	\$	147
Six months ended June 30, 2020 and 2019						
2020:						
Net income	\$ 583	\$ (128)	\$ 455	\$ —	\$	455
Other comprehensive income (loss):						
Pension and other postretirement benefits	5	(1)	4	—		4
Total other comprehensive income	5	(1)	4	—		4
Comprehensive income	\$ 588	\$ (129)	\$ 459	\$ —	\$	459
2019:						
Net income	\$ 359	\$ (40)	\$ 319	\$ 4	\$	323
Other comprehensive income (loss):						
Financial instruments	—	—	—	1		1
Pension and other postretirement benefits	1	—	1	—		1
Total other comprehensive income	1	—	1	1		2
Comprehensive income	\$ 360	\$ (40)	\$ 320	\$ 5	\$	325

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	June 30, 2020	December 31, 2019 ⁽¹⁾
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 192	\$ 10
Accounts receivable – trade, net	418	398
Accounts receivable – other, net	122	119
Income taxes receivable, net	29	128
Inventories	101	94
Prepaid expenses	223	120
Regulatory assets	289	209
Fixed-price contracts and other derivatives	29	43
Greenhouse gas allowances	13	13
Other current assets	22	24
Total current assets	1,438	1,158
Other assets:		
Regulatory assets	447	440
Nuclear decommissioning trusts	1,062	1,082
Greenhouse gas allowances	191	189
Right-of-use assets – operating leases	116	130
Wildfire fund	378	392
Other long-term assets	191	202
Total other assets	2,385	2,435
Property, plant and equipment:		
Property, plant and equipment	23,296	22,504
Less accumulated depreciation and amortization	(5,786)	(5,537)
Property, plant and equipment, net	17,510	16,967
Total assets	\$ 21,333	\$ 20,560

⁽¹⁾ Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Dollars in millions)

	June 30, 2020	December 31, 2019 ⁽¹⁾
	(unaudited)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ —	\$ 80
Accounts payable	489	496
Due to unconsolidated affiliates	173	53
Interest payable	46	43
Accrued compensation and benefits	89	138
Accrued franchise fees	37	53
Regulatory liabilities	69	76
Current portion of long-term debt and finance leases	259	56
Customer deposits	70	74
Greenhouse gas obligations	13	13
Asset retirement obligations	105	95
Other current liabilities	151	133
Total current liabilities	1,501	1,310
Long-term debt and finance leases	6,691	6,306
Deferred credits and other liabilities:		
Pension obligation, net of plan assets	142	153
Deferred income taxes	1,932	1,848
Deferred investment tax credits	14	14
Regulatory liabilities	2,209	2,319
Asset retirement obligations	749	771
Greenhouse gas obligations	82	62
Deferred credits and other	654	677
Total deferred credits and other liabilities	5,782	5,844
Commitments and contingencies (Note 11)		
Shareholder's equity:		
Preferred stock (45 million shares authorized; none issued)	—	—
Common stock (255 million shares authorized; 117 million shares outstanding; no par value)	1,660	1,660
Retained earnings	5,711	5,456
Accumulated other comprehensive income (loss)	(12)	(16)
Total shareholder's equity	7,359	7,100
Total liabilities and shareholder's equity	\$ 21,333	\$ 20,560

⁽¹⁾ Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

	Six months ended June 30,	
	2020	2019
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 455	\$ 323
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	398	375
Deferred income taxes and investment tax credits	29	(27)
Other	(13)	(2)
Net change in working capital components	(36)	(68)
Changes in other noncurrent assets and liabilities, net	(95)	19
Net cash provided by operating activities	738	620
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(850)	(708)
Purchases of nuclear decommissioning trust assets	(797)	(497)
Proceeds from sales of nuclear decommissioning trust assets	797	497
Other	8	—
Net cash used in investing activities	(842)	(708)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	(200)	—
Issuances of debt (maturities greater than 90 days)	799	400
Payments on debt (maturities greater than 90 days) and finance leases	(229)	(36)
Decrease in short-term debt, net	(80)	(273)
Distributions to noncontrolling interest	—	(2)
Debt issuance costs	(4)	(4)
Net cash provided by financing activities	286	85
Increase (decrease) in cash, cash equivalents and restricted cash	182	(3)
Cash, cash equivalents and restricted cash, January 1	10	37
Cash, cash equivalents and restricted cash, June 30	\$ 192	\$ 34
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	\$ 198	\$ 201
Income tax payments, net of refunds	—	106
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	\$ 136	\$ 110
Increase in finance lease obligations for investment in property, plant and equipment	20	7

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Dollars in millions)

	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	SDG&E shareholder's equity	Noncontrolling interest	Total equity
(unaudited)						
Three months ended June 30, 2020						
Balance at March 31, 2020	\$ 1,660	\$ 5,518	\$ (16)	\$ 7,162	\$ —	\$ 7,162
Net income		193		193	—	193
Other comprehensive income			4	4	—	4
Balance at June 30, 2020	\$ 1,660	\$ 5,711	\$ (12)	\$ 7,359	\$ —	\$ 7,359
Three months ended June 30, 2019						
Balance at March 31, 2019	\$ 1,338	\$ 4,865	\$ (12)	\$ 6,191	\$ 102	\$ 6,293
Net income		143		143	3	146
Other comprehensive income			1	1	—	1
Noncontrolling interest activities:						
Distributions					(2)	(2)
Balance at June 30, 2019	\$ 1,338	\$ 5,008	\$ (11)	\$ 6,335	\$ 103	\$ 6,438
Six months ended June 30, 2020						
Balance at December 31, 2019	\$ 1,660	\$ 5,456	\$ (16)	\$ 7,100	\$ —	\$ 7,100
Net income		455		455	—	455
Other comprehensive income			4	4	—	4
Common stock dividends declared (\$1.72/share)		(200)		(200)		(200)
Balance at June 30, 2020	\$ 1,660	\$ 5,711	\$ (12)	\$ 7,359	\$ —	\$ 7,359
Six months ended June 30, 2019						
Balance at December 31, 2018	\$ 1,338	\$ 4,687	\$ (10)	\$ 6,015	\$ 100	\$ 6,115
Adoption of ASU 2018-02		2	(2)	—		—
Adjusted balance at December 31, 2018	1,338	4,689	(12)	6,015	100	6,115
Net income		319		319	4	323
Other comprehensive income			1	1	1	2
Noncontrolling interest activities:						
Distributions					(2)	(2)
Balance at June 30, 2019	\$ 1,338	\$ 5,008	\$ (11)	\$ 6,335	\$ 103	\$ 6,438

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED STATEMENTS OF OPERATIONS

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)			
Operating revenues	\$ 1,010	\$ 806	\$ 2,405	\$ 2,167
Operating expenses				
Cost of natural gas	106	104	384	559
Operation and maintenance	462	454	1,005	864
Depreciation and amortization	162	148	321	295
Franchise fees and other taxes	43	41	94	89
Total operating expenses	773	747	1,804	1,807
Operating income	237	59	601	360
Other (expense) income, net	(2)	1	28	17
Interest income	1	1	2	1
Interest expense	(40)	(34)	(80)	(68)
Income before income taxes	196	27	551	310
Income tax (expense) benefit	(49)	4	(101)	(15)
Net income	147	31	450	295
Preferred dividends	(1)	(1)	(1)	(1)
Earnings attributable to common shares	\$ 146	\$ 30	\$ 449	\$ 294

See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in millions)

	Pretax amount	Income tax (expense) benefit (unaudited)	Net-of-tax amount
Three months ended June 30, 2020 and 2019			
2020:			
Net income	\$ 196	\$ (49)	\$ 147
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	\$ 197	\$ (49)	\$ 148
2019:			
Net income	\$ 27	\$ 4	\$ 31
Other comprehensive income (loss):			
Pension and other postretirement benefits	6	(2)	4
Total other comprehensive income	6	(2)	4
Comprehensive income	\$ 33	\$ 2	\$ 35

Six months ended June 30, 2020 and 2019			
2020:			
Net income	\$ 551	\$ (101)	\$ 450
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	\$ 552	\$ (101)	\$ 451
2019:			
Net income	\$ 310	\$ (15)	\$ 295
Other comprehensive income (loss):			
Pension and other postretirement benefits	6	(2)	4
Total other comprehensive income	6	(2)	4
Comprehensive income	\$ 316	\$ (17)	\$ 299

See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED BALANCE SHEETS

(Dollars in millions)

	June 30, 2020	December 31, 2019 ⁽¹⁾
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 330	\$ 10
Accounts receivable – trade, net	460	710
Accounts receivable – other, net	65	87
Due from unconsolidated affiliates	1	11
Income taxes receivable, net	45	161
Inventories	118	136
Regulatory assets	12	7
Greenhouse gas allowances	60	52
Other current assets	68	44
Total current assets	1,159	1,218
Other assets:		
Regulatory assets	1,443	1,407
Insurance receivable for Aliso Canyon costs	505	339
Greenhouse gas allowances	321	248
Right-of-use assets – operating leases	86	94
Other long-term assets	457	447
Total other assets	2,812	2,535
Property, plant and equipment:		
Property, plant and equipment	20,170	19,362
Less accumulated depreciation and amortization	(6,242)	(6,038)
Property, plant and equipment, net	13,928	13,324
Total assets	\$ 17,899	\$ 17,077

⁽¹⁾ Derived from audited financial statements.
See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED BALANCE SHEETS (CONTINUED)

(Dollars in millions)

	June 30, 2020	December 31, 2019 ⁽¹⁾
	(unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ —	\$ 630
Accounts payable – trade	380	545
Accounts payable – other	102	110
Due to unconsolidated affiliates	135	47
Accrued compensation and benefits	156	182
Regulatory liabilities	500	243
Current portion of long-term debt and finance leases	11	6
Customer deposits	71	71
Reserve for Aliso Canyon costs	256	9
Greenhouse gas obligations	60	52
Asset retirement obligations	63	65
Other current liabilities	209	222
Total current liabilities	1,943	2,182
Long-term debt and finance leases	4,458	3,788
Deferred credits and other liabilities:		
Pension obligation, net of plan assets	781	785
Deferred income taxes	1,467	1,403
Deferred investment tax credits	6	7
Regulatory liabilities	1,223	1,422
Asset retirement obligations	2,160	2,112
Greenhouse gas obligations	282	208
Deferred credits and other	431	422
Total deferred credits and other liabilities	6,350	6,359
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred stock (11 million shares authorized; 1 million shares outstanding)	22	22
Common stock (100 million shares authorized; 91 million shares outstanding; no par value)	866	866
Retained earnings	4,282	3,883
Accumulated other comprehensive income (loss)	(22)	(23)
Total shareholders' equity	5,148	4,748
Total liabilities and shareholders' equity	\$ 17,899	\$ 17,077

⁽¹⁾ Derived from audited financial statements.
See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED STATEMENTS OF CASH FLOWS

(Dollars in millions)

	Six months ended June 30,	
	2020	2019
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 450	\$ 295
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	321	295
Deferred income taxes and investment tax credits	(17)	(75)
Other	14	13
Net change in working capital components	713	217
Insurance receivable for Aliso Canyon costs	(166)	80
Changes in other noncurrent assets and liabilities, net	(117)	(151)
Net cash provided by operating activities	<u>1,198</u>	<u>674</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(885)	(659)
Increase in loans to affiliate, net	—	(94)
Other	—	2
Net cash used in investing activities	<u>(885)</u>	<u>(751)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred dividends paid	(1)	(1)
Issuances of debt (maturities greater than 90 days)	649	349
Decrease in short-term debt, net	(630)	(256)
Payments on finance leases	(5)	(2)
Debt issuance costs	(6)	(3)
Net cash provided by financing activities	<u>7</u>	<u>87</u>
Increase in cash and cash equivalents	320	10
Cash and cash equivalents, January 1	10	18
Cash and cash equivalents, June 30	<u>\$ 330</u>	<u>\$ 28</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	\$ 70	\$ 60
Income tax payments, net of refunds	—	87
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	\$ 158	\$ 178
Increase in finance lease obligations for investment in property, plant and equipment	36	9
Common dividends declared but not paid	50	—

See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in millions)

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
	(unaudited)				
	Three months ended June 30, 2020				
Balance at March 31, 2020	\$ 22	\$ 866	\$ 4,186	\$ (23)	\$ 5,051
Net income			147		147
Other comprehensive income				1	1
Dividends declared:					
Preferred stock (\$0.37/share)			(1)		(1)
Common stock (\$0.55/share)			(50)		(50)
Balance at June 30, 2020	\$ 22	\$ 866	\$ 4,282	\$ (22)	\$ 5,148
	Three months ended June 30, 2019				
Balance at March 31, 2019	\$ 22	\$ 866	\$ 3,656	\$ (24)	\$ 4,520
Net income			31		31
Other comprehensive income				4	4
Dividends declared:					
Preferred stock (\$0.37/share)			(1)		(1)
Balance at June 30, 2019	\$ 22	\$ 866	\$ 3,686	\$ (20)	\$ 4,554
	Six months ended June 30, 2020				
Balance at December 31, 2019	\$ 22	\$ 866	\$ 3,883	\$ (23)	\$ 4,748
Net income			450		450
Other comprehensive income				1	1
Dividends declared:					
Preferred stock (\$0.75/share)			(1)		(1)
Common stock (\$0.55/share)			(50)		(50)
Balance at June 30, 2020	\$ 22	\$ 866	\$ 4,282	\$ (22)	\$ 5,148
	Six months ended June 30, 2019				
Balance at December 31, 2018	\$ 22	\$ 866	\$ 3,390	\$ (20)	\$ 4,258
Adoption of ASU 2018-02			2	(4)	(2)
Adjusted balance at December 31, 2018	22	866	3,392	(24)	4,256
Net income			295		295
Other comprehensive income				4	4
Dividends declared:					
Preferred stock (\$0.75/share)			(1)		(1)
Balance at June 30, 2019	\$ 22	\$ 866	\$ 3,686	\$ (20)	\$ 4,554

See Notes to Condensed Financial Statements.

SEMPRA ENERGY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION AND OTHER FINANCIAL DATA

PRINCIPLES OF CONSOLIDATION

Sempra Energy

Sempra Energy's Condensed Consolidated Financial Statements include the accounts of Sempra Energy, a California-based energy-services holding company, and its consolidated subsidiaries and VIEs. Sempra Global is the holding company for most of our subsidiaries that are not subject to California or Texas utility regulation. Sempra Energy's businesses were managed within six separate reportable segments until April 2019 and five separate reportable segments thereafter, which we discuss in Note 12. All references in these Notes to our reportable segments are not intended to refer to any legal entity with the same or similar name.

SDG&E

SDG&E's Condensed Consolidated Financial Statements include its accounts and the accounts of a VIE of which SDG&E was the primary beneficiary until August 23, 2019, at which time SDG&E deconsolidated the VIE. SDG&E's common stock is wholly owned by Enova Corporation, which is a wholly owned subsidiary of Sempra Energy.

SoCalGas

SoCalGas' common stock is wholly owned by Pacific Enterprises, which is a wholly owned subsidiary of Sempra Energy.

In this report, we refer to SDG&E and SoCalGas collectively as the California Utilities.

BASIS OF PRESENTATION

This is a combined report of Sempra Energy, SDG&E and SoCalGas. We provide separate information for SDG&E and SoCalGas as required. References in this report to "we," "us," "our" and "Sempra Energy Consolidated" are to Sempra Energy and its consolidated entities, unless otherwise indicated by the context. We have eliminated intercompany accounts and transactions within the consolidated financial statements of each reporting entity.

Throughout this report, we refer to the following as Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements when discussed together or collectively:

- the Condensed Consolidated Financial Statements and related Notes of Sempra Energy and its subsidiaries and VIEs;
- the Condensed Consolidated Financial Statements and related Notes of SDG&E and its VIE (until deconsolidation of Otay Mesa VIE in August 2019); and
- the Condensed Financial Statements and related Notes of SoCalGas.

We have prepared the Condensed Consolidated Financial Statements in conformity with U.S. GAAP and in accordance with the interim-period-reporting requirements of Form 10-Q. Results of operations for interim periods are not necessarily indicative of results for the entire year or for any other period. We evaluated events and transactions that occurred after June 30, 2020 through the date the financial statements were issued and, in the opinion of management, the accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are only of a normal, recurring nature.

All December 31, 2019 balance sheet information in the Condensed Consolidated Financial Statements has been derived from our audited 2019 Consolidated Financial Statements in the Annual Report. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the interim-period-reporting provisions of U.S. GAAP and the SEC.

We describe our significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report and the impact of the adoption of new accounting standards on those policies in Note 2 below. We follow the same accounting policies for interim period reporting purposes.

You should read the information in this report in conjunction with the Annual Report.

Discontinued Operations

In January 2019, our board of directors approved a plan to sell our South American businesses based on our strategic focus on North America. We determined that these businesses, which previously constituted the Sempra South American Utilities segment, and certain activities associated with these businesses, met the held-for-sale criteria. These businesses are presented as discontinued operations, which we discuss further in Note 5, as the sales represent a strategic shift that will have a major effect on our operations and financial results. We completed the sales in the second quarter of 2020. Our discussions in the Notes below relate only to our continuing operations unless otherwise noted.

Regulated Operations

The California Utilities and Sempra Mexico's natural gas distribution utility, Ecogas, prepare their financial statements in accordance with the provisions of U.S. GAAP governing rate-regulated operations. We discuss the effects of regulation and revenue recognition at our utilities in Notes 1 and 3 of the Notes to Consolidated Financial Statements in the Annual Report.

Our Sempra Texas Utilities segment is comprised of our equity method investments in holding companies that own interests in regulated electric transmission and distribution utilities in Texas.

Our Sempra Mexico segment includes the operating companies of our subsidiary, IEnova, as well as certain holding companies and risk management activity. Certain business activities at IEnova are regulated by the CRE and meet the regulatory accounting requirements of U.S. GAAP. Pipeline projects under construction at IEnova that meet the regulatory accounting requirements of U.S. GAAP record the impact of AFUDC related to equity. We discuss AFUDC below and in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on Sempra Energy's Condensed Consolidated Balance Sheets to the sum of such amounts reported on Sempra Energy's Condensed Consolidated Statements of Cash Flows. We provide information about the nature of restricted cash in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH

(Dollars in millions)

	June 30, 2020	December 31, 2019
Sempra Energy Consolidated:		
Cash and cash equivalents	\$ 4,894	\$ 108
Restricted cash, current	33	31
Restricted cash, noncurrent	3	3
Cash, cash equivalents and restricted cash in discontinued operations	—	75
Total cash, cash equivalents and restricted cash on the Condensed Consolidated Statements of Cash Flows	\$ 4,930	\$ 217

In the Sempra Energy Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2020, the ending cash, cash equivalents and restricted cash balance in discontinued operations of \$4.6 billion is considered to be cash, cash equivalents and restricted cash for continuing operations following the sales of the South American businesses.

CREDIT LOSSES

We are exposed to credit losses from financial assets measured at amortized cost, including trade and other accounts receivable and amounts due from unconsolidated affiliates. We are also exposed to credit losses from off-balance sheet arrangements through our guarantees of Cameron LNG JV's debt.

We regularly monitor and evaluate credit losses and record allowances for expected credit losses, if necessary, for trade and other accounts receivable using a combination of factors, including past-due status based on contractual terms, trends in write-offs, the age of the receivable, historical and industry trends, counterparty creditworthiness, economic conditions and specific events, such as bankruptcies. We write off financial assets measured at amortized cost in the period in which we deem they are not recoverable. We record recoveries of amounts previously written off when it is known that they will be recovered.

In connection with the COVID-19 pandemic, the California Utilities have implemented certain measures to assist customers, including suspending service disconnections due to nonpayment for residential and small business customers, waiving late payment fees for business customers, and offering flexible payment plans for customers experiencing difficulty paying their electric or gas bills. As we discuss in Note 4, the CPUC authorized each of the California Utilities to establish a CPPMA to track and request recovery of incremental costs, including uncollectible expenses, associated with complying with residential and small business customer relief measures implemented by the CPUC related to the COVID-19 pandemic. As of June 30, 2020, the California Utilities have evaluated the impact of the COVID-19 pandemic, including the measures described above, on their respective allowances for credit losses for customer receivables. Our businesses will continue to monitor macroeconomic factors and customer payment patterns when evaluating their allowances for credit losses in future reporting periods, which may increase materially due to the effects of the COVID-19 pandemic or other factors.

We provide below allowances and changes in allowances for credit losses for trade and other accounts receivable, excluding allowances related to amounts due from unconsolidated affiliates and off-balance sheet arrangements, which we discuss separately below the table.

TRADE AND OTHER ACCOUNTS RECEIVABLE – ALLOWANCES FOR CREDIT LOSSES

(Dollars in millions)

	Sempra Energy Consolidated ⁽¹⁾	SDG&E ⁽²⁾	SoCalGas ⁽³⁾
Allowances for credit losses at December 31, 2019	\$ 29	\$ 14	\$ 15
Incremental allowance upon adoption of ASU 2016-13	1	—	—
Provisions for expected credit losses	21	9	12
Write-offs	(7)	(4)	(3)
Allowances for credit losses at June 30, 2020	\$ 44	\$ 19	\$ 24

⁽¹⁾ Balance at June 30, 2020 includes \$19 million and \$25 million in Accounts Receivable – Trade, Net and Accounts Receivable – Other, Net, respectively.

⁽²⁾ Balance at June 30, 2020 includes \$7 million and \$12 million in Accounts Receivable – Trade, Net and Accounts Receivable – Other, Net, respectively.

⁽³⁾ Balance at June 30, 2020 includes \$11 million and \$13 million in Accounts Receivable – Trade, Net and Accounts Receivable – Other, Net, respectively.

For amounts due from unconsolidated affiliates and off-balance sheet arrangements, on a quarterly basis, we evaluate credit losses and record allowances for expected credit losses, if necessary, based on credit quality indicators such as external credit ratings, published default rate studies, the maturity date of the instrument and past delinquencies. However, we do not record allowances for expected credit losses related to accrued interest receivable on loans due from unconsolidated affiliates because we write off such amounts, if any, through a reversal of interest income in the period we determine such amounts are uncollectible. In the absence of external credit ratings, we may utilize an internally developed credit rating based on our analysis of a counterparty's financial statements to determine our expected credit losses.

As we discuss below in “Transactions with Affiliates,” we have loans due from unconsolidated affiliates with varying tenors, interest rates and currencies. We provide below the changes in allowances for credit losses for loans and other amounts due from unconsolidated affiliates.

AMOUNTS DUE FROM UNCONSOLIDATED AFFILIATES – ALLOWANCES FOR CREDIT LOSSES

(Dollars in millions)

	Sempra Energy Consolidated ⁽¹⁾
Allowances for credit losses at December 31, 2019	\$ —
Allowance established upon adoption of ASU 2016-13	6
Reduction to expected credit losses	(3)
Allowances for credit losses at June 30, 2020	\$ 3

⁽¹⁾ Balance at June 30, 2020 includes negligible amounts and \$3 million in Due from Unconsolidated Affiliates – Current and Due from Unconsolidated Affiliates – Noncurrent, respectively.

As we discuss in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report, Sempra LNG has provided guarantees for a maximum aggregate amount of \$4.0 billion associated with Cameron LNG JV’s debt obligations. We established a liability for credit losses of \$6 million for this off-balance sheet arrangement upon adoption of ASU 2016-13 on January 1, 2020 and we subsequently reduced this liability by \$2 million in the six months ended June 30, 2020 through a reduction to credit loss expense, which is included in O&M on the Sempra Energy Condensed Consolidated Statement of Operations. At June 30, 2020, expected credit losses of \$4 million are included in Other Current Liabilities on the Sempra Energy Condensed Consolidated Balance Sheet.

CONCENTRATION OF CREDIT RISK

Credit risk is the risk of loss that would be incurred as a result of nonperformance by our counterparties on their contractual obligations. We have policies governing the management of credit risk that are administered by the respective credit departments at each of our segments and overseen by their separate risk management committees.

This oversight includes calculating current and potential credit risk on a regular basis and monitoring actual balances in comparison to approved limits. We establish credit limits based on risk and return considerations under terms customarily available in the industry. We avoid concentration of counterparties whenever possible, and we believe our credit policies significantly reduce overall credit risk. These policies include an evaluation of:

- prospective counterparties’ financial condition (including credit ratings)
- collateral requirements
- the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty
- downgrade triggers

We believe that we have provided adequate reserves for counterparty nonperformance.

In the six months ended June 30, 2020, four customers each represented 10% or more of Sempra Mexico’s revenues (including intercompany transactions with affiliates consolidated by Sempra Energy). Additionally, for the same period, certain of our unconsolidated equity method investees (Oncor Holdings, Cameron LNG JV and IMG JV) had customers that each represented 10% or more of their respective revenues.

When our development projects become operational, we rely significantly on the ability of suppliers to perform under long-term agreements and on our ability to enforce contract terms in the event of nonperformance. Also, the factors that we consider in evaluating a development project include negotiating customer and supplier agreements and, therefore, we rely on these agreements for future performance. We also may condition our decision to go forward on development projects on first obtaining these customer and supplier agreements.

INVENTORIES

The components of inventories are as follows:

INVENTORY BALANCES

(Dollars in millions)

	Natural gas		LNG		Materials and supplies		Total	
	June	December	June	December	June	December	June	December
	30, 2020	31, 2019	30, 2020	31, 2019	30, 2020	31, 2019	30, 2020	31, 2019
Sempra Energy Consolidated	\$ 86	\$ 110	\$ 7	\$ 9	\$ 174	\$ 158	\$ 267	\$ 277
SDG&E	—	1	—	—	101	93	101	94
SoCalGas	64	90	—	—	54	46	118	136

WILDFIRE FUND

On July 12, 2019, the Wildfire Legislation was signed into law to address certain issues related to catastrophic wildfires in the State of California and their impact on electric IOUs. We discuss the Wildfire Legislation further in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

In a complaint filed in U.S. District Court for the Northern District of California in July 2019, plaintiffs seek to invalidate AB 1054, which established the Wildfire Fund, based on allegations that the legislation violates federal law. The California Attorney General has moved to dismiss the complaint.

In June 2020, the CPUC approved SDG&E's 2020 wildfire mitigation plan, which will be effective until the CPUC approves a new plan. In addition, SDG&E submitted its request to the CPUC for a 2020 safety certification on June 16, 2020 and the CPUC may take up to 90 days to issue a new certificate. SDG&E's existing safety certification remains valid until this pending request is resolved.

PG&E received bankruptcy court approval to participate in the Wildfire Fund and made its initial and first annual shareholder contributions in July 2020.

Wildfire Fund Asset and Obligation

In the third quarter of 2019, SDG&E recorded both a Wildfire Fund asset and a related obligation of \$451.5 million for its commitment to make shareholder contributions to the Wildfire Fund, measured at present value as of July 25, 2019 (the date by which both Edison and SDG&E opted to contribute to the Wildfire Fund). SDG&E is amortizing the Wildfire Fund asset on a straight-line basis over the estimated period of benefit, as adjusted for utilization by the participating IOUs. The estimated period of benefit of the Wildfire Fund asset is 15 years as of June 30, 2020. SDG&E accretes the present value of the Wildfire Fund obligation until the liability is settled.

We will periodically reevaluate the estimated period of benefit of the Wildfire Fund asset based on actual experience and changes in assumptions. SDG&E may recognize a reduction of its Wildfire Fund asset and record a charge against earnings in the period when there is a reduction of the available coverage due to recoverable claims from any of the participating IOUs. The reduction to the Wildfire Fund asset may be proportionate to the Wildfire Fund's consumption (i.e., recoveries for outstanding wildfire claims that are recoverable from the Wildfire Fund, net of anticipated or actual reimbursement to the Wildfire Fund by the responsible IOU, would decrease the Wildfire Fund asset and remaining available coverage). In the six months ended June 30, 2020, there were no such known claims from the participating IOUs requiring a reduction of the Wildfire Fund asset.

The following table summarizes the location of balances related to the Wildfire Fund on Sempra Energy's and SDG&E's Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations.

WILDFIRE FUND

(Dollars in millions)

	Location		June 30, 2020		December 31, 2019
Wildfire Fund asset:					
Current	Other Current Assets ⁽¹⁾	\$	29	\$	29
Noncurrent	Wildfire Fund		378		392
Wildfire Fund obligation:					
Current	Other Current Liabilities	\$	13	\$	13
Noncurrent	Deferred Credits and Other		87		86
			Three months ended June 30, 2020		Six months ended June 30, 2020
Amortization of Wildfire Fund asset	Operation and Maintenance	\$	7	\$	14
Accretion of Wildfire Fund obligation	Operation and Maintenance		1		1

⁽¹⁾ Included in Prepaid Expenses for SDG&E.

CAPITALIZED FINANCING COSTS

Capitalized financing costs include capitalized interest costs and AFUDC related to both debt and equity financing of construction projects. We capitalize interest costs incurred to finance capital projects and interest at equity method investments that have not commenced planned principal operations.

The table below summarizes capitalized interest and AFUDC.

CAPITALIZED FINANCING COSTS

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Sempra Energy Consolidated	\$ 50	\$ 51	\$ 98	\$ 98
SDG&E	26	20	53	37
SoCalGas	14	11	25	22

VARIABLE INTEREST ENTITIES

We consolidate a VIE if we are the primary beneficiary of the VIE. Our determination of whether we are the primary beneficiary is based on qualitative and quantitative analyses, which assess:

- the purpose and design of the VIE;
- the nature of the VIE's risks and the risks we absorb;
- the power to direct activities that most significantly impact the economic performance of the VIE; and
- the obligation to absorb losses or the right to receive benefits that could be significant to the VIE.

We will continue to evaluate our VIEs for any changes that may impact our determination of whether an entity is a VIE and if we are the primary beneficiary.

SDG&E

SDG&E's power procurement is subject to reliability requirements that may require SDG&E to enter into various PPAs that include variable interests. SDG&E evaluates the respective entities to determine if variable interests exist and, based on the qualitative and quantitative analyses described above, if SDG&E, and thereby Sempra Energy, is the primary beneficiary.

SDG&E has agreements under which it purchases power generated by facilities for which it supplies all of the natural gas to fuel the power plant (i.e., tolling agreements). SDG&E's obligation to absorb natural gas costs may be a significant variable interest. In addition, SDG&E has the power to direct the dispatch of electricity generated by these facilities. Based on our analysis, the ability to direct the dispatch of electricity may have the most significant impact on the economic performance of the entity owning the generating facility because of the associated exposure to the cost of natural gas, which fuels the plants, and the value of electricity produced. To the extent that SDG&E (1) is obligated to purchase and provide fuel to operate the facility, (2) has the power to direct the dispatch, and (3) purchases all of the output from the facility for a substantial portion of the facility's useful

life, SDG&E may be the primary beneficiary of the entity owning the generating facility. SDG&E determines if it is the primary beneficiary in these cases based on a qualitative approach in which we consider the operational characteristics of the facility, including its expected power generation output relative to its capacity to generate and the financial structure of the entity, among other factors. If we determine that SDG&E is the primary beneficiary, SDG&E and Sempra Energy consolidate the entity that owns the facility as a VIE.

In addition to tolling agreements, other variable interests involve various elements of fuel and power costs, and other components of cash flows expected to be paid to or received by our counterparties. In most of these cases, the expectation of variability is not substantial, and SDG&E generally does not have the power to direct activities, including the operation and maintenance activities of the generating facility, that most significantly impact the economic performance of the other VIEs. If our ongoing evaluation of these VIEs were to conclude that SDG&E becomes the primary beneficiary and consolidation by SDG&E becomes necessary, the effects could be significant to the financial position and liquidity of SDG&E and Sempra Energy.

SDG&E determined that none of its contracts resulted in SDG&E being the primary beneficiary of a VIE at June 30, 2020 and December 31, 2019. The carrying amounts of the assets and liabilities that relate to SDG&E's involvement with VIEs where SDG&E is not the primary beneficiary are included in PP&E and finance lease liabilities with balances of \$1,246 million and \$1,255 million at June 30, 2020 and December 31, 2019, respectively. SDG&E recovers costs incurred on PPAs, tolling agreements and other variable interests through CPUC-approved long-term power procurement plans. SDG&E has no residual interest in the respective entities and has not provided or guaranteed any debt or equity support, liquidity arrangements, performance guarantees or other commitments associated with these contracts other than the purchase commitments described in Note 16 of the Notes to Consolidated Financial Statements in the Annual Report. As a result, SDG&E's potential exposure to loss from its variable interest in these VIEs is not significant.

Sempra Texas Utilities

Our 100% interest in Oncor Holdings is a VIE that owns an 80.25% interest in Oncor. Sempra Energy is not the primary beneficiary of the VIE because of the structural and operational ring-fencing and governance measures in place that prevent us from having the power to direct the significant activities of Oncor Holdings. As a result, we do not consolidate Oncor Holdings and instead account for our ownership interest as an equity method investment. See Note 6 for additional information about our equity method investment in Oncor Holdings and restrictions on our ability to influence its activities. Our maximum exposure to loss, which fluctuates over time, from our interest in Oncor Holdings does not exceed the carrying value of our investment, which was \$11,758 million at June 30, 2020 and \$11,519 million at December 31, 2019.

Sempra Mexico

Sempra Mexico's businesses also enter into arrangements that could include variable interests. We evaluate these arrangements and applicable entities based on the qualitative and quantitative analyses described above. Certain of these entities are service or project companies that are VIEs because the total equity at risk is not sufficient for the entities to finance their activities without additional subordinated financial support. If we are the primary beneficiary of these companies, we consolidate them. At December 31, 2019, Sempra Mexico consolidated a VIE with assets totaling approximately \$126 million, which consisted primarily of PP&E and other long-term assets.

Sempra LNG

Cameron LNG JV is a VIE principally due to contractual provisions that transfer certain risks to customers. Sempra Energy is not the primary beneficiary of the VIE because we do not have the power to direct the most significant activities of Cameron LNG JV, and therefore, we account for our investment in Cameron LNG JV under the equity method. The carrying value of our investment, including amounts recognized in AOCI related to interest-rate cash flow hedges at Cameron LNG JV, was \$1,183 million at June 30, 2020 and \$1,256 million at December 31, 2019. Our maximum exposure to loss, which fluctuates over time, includes the carrying value of our investment and guarantees that we discuss in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

PENSION AND OTHER POSTRETIREMENT BENEFITS

Settlement Accounting for Lump Sum Payments

Sempra Energy recorded settlement charges of \$4 million and \$9 million in the three months and six months ended June 30, 2020, respectively, in net periodic benefit cost for lump sum payments from its nonqualified pension plan that were in excess of the plan's service cost plus interest cost.

In June 2019, Sempra Energy recorded settlement charges of \$22 million in net periodic benefit cost for lump sum payments from its nonqualified pension plan that were in excess of the plan's service cost plus interest cost.

Net Periodic Benefit Cost

The following three tables provide the components of net periodic benefit cost.

NET PERIODIC BENEFIT COST – SEMPRA ENERGY CONSOLIDATED

(Dollars in millions)

	Pension benefits		Other postretirement benefits	
	Three months ended June 30,			
	2020	2019	2020	2019
Service cost	\$ 33	\$ 28	\$ 4	\$ 4
Interest cost	33	35	8	9
Expected return on assets	(43)	(36)	(14)	(17)
Amortization of:				
Prior service cost	3	3	—	—
Actuarial loss (gain)	8	7	(2)	(3)
Settlement charges	4	22	—	—
Net periodic benefit cost (credit)	38	59	(4)	(7)
Regulatory adjustments	22	3	4	7
Total expense recognized	\$ 60	\$ 62	\$ —	\$ —

	Six months ended June 30,			
	2020	2019	2020	2019
	Service cost	\$ 66	\$ 55	\$ 9
Interest cost	65	70	16	18
Expected return on assets	(85)	(72)	(27)	(35)
Amortization of:				
Prior service cost (credit)	6	6	(1)	—
Actuarial loss (gain)	17	21	(5)	(5)
Settlement charges	9	22	—	—
Net periodic benefit cost (credit)	78	102	(8)	(14)
Regulatory adjustments	(6)	(33)	8	14
Total expense recognized	\$ 72	\$ 69	\$ —	\$ —

NET PERIODIC BENEFIT COST – SDG&E
(Dollars in millions)

	Pension benefits				Other postretirement benefits			
	Three months ended June 30,							
	2020		2019		2020		2019	
Service cost	\$	8	\$	7	\$	1	\$	1
Interest cost		8		8		1		2
Expected return on assets		(12)		(9)		(2)		(3)
Amortization of:								
Prior service cost		—		1		—		—
Actuarial loss		1		3		—		—
Net periodic benefit cost		5		10		—		—
Regulatory adjustments		9		(1)		—		—
Total expense recognized	\$	14	\$	9	\$	—	\$	—

	Six months ended June 30,							
	2020		2019		2020		2019	
	Service cost	\$	16	\$	15	\$	2	\$
Interest cost		15		17		3		4
Expected return on assets		(25)		(20)		(5)		(6)
Amortization of:								
Prior service cost		1		2		—		1
Actuarial loss (gain)		2		7		(1)		(1)
Net periodic benefit cost (credit)		9		21		(1)		—
Regulatory adjustments		6		(12)		1		—
Total expense recognized	\$	15	\$	9	\$	—	\$	—

NET PERIODIC BENEFIT COST – SOCALGAS
(Dollars in millions)

	Pension benefits				Other postretirement benefits			
	Three months ended June 30,							
	2020		2019		2020		2019	
Service cost	\$	22	\$	18	\$	4	\$	3
Interest cost		22		22		6		7
Expected return on assets		(27)		(23)		(11)		(15)
Amortization of:								
Prior service cost (credit)		2		2		(1)		—
Actuarial loss (gain)		7		2		(2)		(2)
Net periodic benefit cost (credit)		26		21		(4)		(7)
Regulatory adjustments		13		4		4		7
Total expense recognized	\$	39	\$	25	\$	—	\$	—

	Six months ended June 30,							
	2020		2019		2020		2019	
	Service cost	\$	44	\$	34	\$	7	\$
Interest cost		44		45		12		14
Expected return on assets		(54)		(47)		(21)		(29)
Amortization of:								
Prior service cost (credit)		4		4		(1)		(1)
Actuarial loss (gain)		13		11		(4)		(4)
Net periodic benefit cost (credit)		51		47		(7)		(14)
Regulatory adjustments		(12)		(21)		7		14
Total expense recognized	\$	39	\$	26	\$	—	\$	—

Benefit Plan Contributions

The following table shows our year-to-date contributions to pension and other postretirement benefit plans and the amounts we expect to contribute in 2020.

BENEFIT PLAN CONTRIBUTIONS

(Dollars in millions)

	Sempra Energy Consolidated	SDG&E	SoCalGas
Contributions through June 30, 2020:			
Pension plans	\$ 82	\$ 13	\$ 38
Other postretirement benefit plans	3	—	—
Total expected contributions in 2020:			
Pension plans	\$ 268	\$ 53	\$ 154
Other postretirement benefit plans	7	—	1

RABBI TRUST

In support of its Supplemental Executive Retirement, Cash Balance Restoration and Deferred Compensation Plans, Sempra Energy maintains dedicated assets, including a Rabbi Trust and investments in life insurance contracts, which totaled \$463 million and \$488 million at June 30, 2020 and December 31, 2019, respectively.

SEMPRA ENERGY EARNINGS PER COMMON SHARE

Basic EPS is calculated by dividing earnings attributable to common shares (from both continuing and discontinued operations) by the weighted-average number of common shares outstanding for the period. Diluted EPS includes the potential dilution of common stock equivalent shares that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

EARNINGS PER COMMON SHARE COMPUTATIONS

(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Numerator for continuing operations:				
Income from continuing operations, net of income tax	\$ 528	\$ 357	\$ 1,395	\$ 917
Earnings attributable to noncontrolling interests	(26)	(37)	(169)	(69)
Preferred dividends	(37)	(35)	(73)	(71)
Preferred dividends of subsidiary	(1)	(1)	(1)	(1)
Earnings from continuing operations attributable to common shares for basic EPS	464	284	1,152	776
Add back dividends for dilutive mandatory convertible preferred stock ⁽¹⁾	—	—	52	—
Earnings from continuing operations attributable to common shares for diluted EPS	\$ 464	\$ 284	\$ 1,204	\$ 776
Numerator for discontinued operations:				
Income from discontinued operations, net of income tax	\$ 1,777	\$ 78	\$ 1,857	\$ 36
Earnings attributable to noncontrolling interests	(2)	(8)	(10)	(17)
Earnings from discontinued operations attributable to common shares	\$ 1,775	\$ 70	\$ 1,847	\$ 19
Numerator for earnings:				
Earnings attributable to common shares for basic EPS	\$ 2,239	\$ 354	\$ 2,999	\$ 795
Add back dividends for dilutive mandatory convertible preferred stock ⁽¹⁾	—	—	52	—
Earnings attributable to common shares for diluted EPS	\$ 2,239	\$ 354	\$ 3,051	\$ 795
Denominator:				
Weighted-average common shares outstanding for basic EPS ⁽²⁾	293,060	274,987	292,925	274,831
Dilutive effect of stock options and RSUs ⁽³⁾	1,095	1,541	1,199	1,255
Dilutive effect of common shares sold forward	—	3,091	—	2,338
Dilutive effect of mandatory convertible preferred stock	—	—	13,838	—
Weighted-average common shares outstanding for diluted EPS	294,155	279,619	307,962	278,424
Basic EPS:				
Earnings from continuing operations	\$ 1.58	\$ 1.03	\$ 3.93	\$ 2.82
Earnings from discontinued operations	\$ 6.06	\$ 0.26	\$ 6.31	\$ 0.07
Earnings	\$ 7.64	\$ 1.29	\$ 10.24	\$ 2.89
Diluted EPS:				
Earnings from continuing operations	\$ 1.58	\$ 1.01	\$ 3.91	\$ 2.78
Earnings from discontinued operations	\$ 6.03	\$ 0.25	\$ 6.00	\$ 0.07
Earnings	\$ 7.61	\$ 1.26	\$ 9.91	\$ 2.85

⁽¹⁾ In the six months ended June 30, 2020, due to the dilutive effect of Sempra Energy's series A mandatory convertible preferred stock, the numerator used to calculate diluted EPS includes an add-back of dividends declared on the series A mandatory convertible preferred stock.

⁽²⁾ Includes 530 and 613 average fully vested RSUs held in our Deferred Compensation Plan for the three months ended June 30, 2020 and 2019, respectively, and 536 and 613 of such RSUs for the six months ended June 30, 2020 and 2019, respectively. These fully vested RSUs are included in weighted-average common shares outstanding for basic EPS because there are no conditions under which the corresponding shares will not be issued.

⁽³⁾ Due to market fluctuations of both Sempra Energy common stock and the comparative indices used to determine the vesting percentage of our total shareholder return performance-based RSUs, which we discuss in Note 10 of the Notes to Consolidated Financial Statements in the Annual Report, dilutive RSUs may vary widely from period-to-period.

The potentially dilutive impact from stock options and RSUs is calculated under the treasury stock method. Under this method, proceeds based on the exercise price and unearned compensation are assumed to be used to repurchase shares on the open market at the average market price for the period, reducing the number of potential new shares to be issued and sometimes causing an antidilutive effect. The computation of diluted EPS for the three months and six months ended June 30, 2020 excludes 216,922 and 235,589 potentially dilutive shares, respectively, because to include them would be antidilutive for the period. The computation of diluted EPS for the three months and six months ended June 30, 2019 excludes 4,740 and 160,563, respectively,

of such potentially dilutive shares. However, these shares could potentially dilute basic EPS in the future.

The potentially dilutive impact from the forward sale of our common stock pursuant to forward sale agreements that we entered into in 2018 and fully settled by the end of 2019 is reflected in our diluted EPS calculation using the treasury stock method until settlement. After settlement, those shares are included in weighted-average common shares outstanding for basic EPS.

The potentially dilutive impact from mandatory convertible preferred stock is calculated under the if-converted method. The computation of diluted EPS for the three months and six months ended June 30, 2020 excludes 18,450,579 and 4,612,645 potentially dilutive shares, respectively, and for both the three months and six months ended June 30, 2019 excludes 17,442,705 potentially dilutive shares because to include them would be antidilutive for those periods. However, these shares could potentially dilute basic EPS in the future.

Pursuant to our Sempra Energy share-based compensation plans, the compensation committee of Sempra Energy's board of directors granted 154,860 nonqualified stock options that vest over a three-year period, 265,236 performance-based RSUs and 107,539 service-based RSUs in the six months ended June 30, 2020, primarily in January.

We discuss share-based compensation plans and related awards and the terms and conditions of Sempra Energy's equity securities further in Notes 10, 13 and 14 of the Notes to Consolidated Financial Statements in the Annual Report.

COMPREHENSIVE INCOME

The following tables present the changes in AOCI by component and amounts reclassified out of AOCI to net income, excluding amounts attributable to NCI.

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT⁽¹⁾
(Dollars in millions)

	Foreign currency translation adjustments	Financial instruments	Pension and other postretirement benefits	Total accumulated other comprehensive income (loss)
Three months ended June 30, 2020 and 2019				
Sempra Energy Consolidated⁽²⁾:				
Balance as of March 31, 2020	\$ (745)	\$ (350)	\$ (95)	\$ (1,190)
OCI before reclassifications ⁽³⁾	17	(13)	(14)	(10)
Amounts reclassified from AOCI ⁽³⁾	645	2	11	658
Net OCI	662	(11)	(3)	648
Balance as of June 30, 2020	\$ (83)	\$ (361)	\$ (98)	\$ (542)
SDG&E:				
Balance as of March 31, 2020			\$ (16)	\$ (16)
Amounts reclassified from AOCI ⁽³⁾			4	4
Net OCI			4	4
Balance as of June 30, 2020			\$ (12)	\$ (12)
Balance as of March 31, 2019			\$ (12)	\$ (12)
Amounts reclassified from AOCI			1	1
Net OCI			1	1
Balance as of June 30, 2019			\$ (11)	\$ (11)
SoCalGas:				
Balance as of March 31, 2020		\$ (13)	\$ (10)	\$ (23)
Amounts reclassified from AOCI		—	1	1
Net OCI		—	1	1
Balance as of June 30, 2020		\$ (13)	\$ (9)	\$ (22)
Balance as of March 31, 2019		\$ (14)	\$ (10)	\$ (24)
Amounts reclassified from AOCI ⁽³⁾		—	4	4
Net OCI		—	4	4
Balance as of June 30, 2019		\$ (14)	\$ (6)	\$ (20)

⁽¹⁾ All amounts are net of income tax, if subject to tax, and exclude NCI.

⁽²⁾ Includes discontinued operations.

⁽³⁾ Pension and Other Postretirement Benefits and Total AOCI include \$3 million in transfers of liabilities from SDG&E to Sempra Energy in 2020 and \$4 million in transfers of liabilities from SoCalGas to Sempra Energy in 2019 related to the nonqualified pension plans.

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT⁽¹⁾ (CONTINUED)
(Dollars in millions)

	Foreign currency translation adjustments	Financial instruments	Pension and other postretirement benefits	Total accumulated other comprehensive income (loss)
Six months ended June 30, 2020 and 2019				
Sempra Energy Consolidated⁽²⁾:				
Balance as of December 31, 2019	\$ (607)	\$ (215)	\$ (117)	\$ (939)
OCI before reclassifications ⁽³⁾	(121)	(167)	2	(286)
Amounts reclassified from AOCI ⁽³⁾	645	21	17	683
Net OCI	524	(146)	19	397
Balance as of June 30, 2020	\$ (83)	\$ (361)	\$ (98)	\$ (542)
SDG&E:				
Balance as of December 31, 2019			\$ (16)	\$ (16)
Amounts reclassified from AOCI ⁽³⁾			4	4
Net OCI			4	4
Balance as of June 30, 2020			\$ (12)	\$ (12)
SoCalGas:				
Balance as of December 31, 2019		\$ (13)	\$ (10)	\$ (23)
Amounts reclassified from AOCI		—	1	1
Net OCI		—	1	1
Balance as of June 30, 2020		\$ (13)	\$ (9)	\$ (22)
SoCalGas:				
Balance as of December 31, 2018		\$ (12)	\$ (8)	\$ (20)
Adoption of ASU 2018-02		(2)	(2)	(4)
Amounts reclassified from AOCI ⁽³⁾		—	4	4
Net OCI		—	4	4
Balance as of June 30, 2019		\$ (14)	\$ (6)	\$ (20)

⁽¹⁾ All amounts are net of income tax, if subject to tax, and exclude NCI.

⁽²⁾ Includes discontinued operations.

⁽³⁾ Pension and Other Postretirement Benefits and Total AOCI include \$3 million in transfers of liabilities from SDG&E to Sempra Energy in 2020 and \$4 million in transfers of liabilities from SoCalGas to Sempra Energy in 2019 related to the nonqualified pension plans.

RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)

Details about accumulated other comprehensive income (loss) components	Amounts reclassified from accumulated other comprehensive income (loss)		Affected line item on Condensed Consolidated Statements of Operations
	Three months ended June 30,		
	2020	2019	
Sempra Energy Consolidated:			
Foreign currency translation adjustments	\$ 645	\$ —	Income from Discontinued Operations, Net of Income Tax
Financial instruments:			
Interest rate and foreign exchange instruments(1)	\$ 2	\$ —	Interest Expense
	(4)	(2)	Other Income (Expense), Net
Interest rate instruments	—	10	Gain on Sale of Assets
Interest rate and foreign exchange instruments	1	—	Equity Earnings
Foreign exchange instruments	1	—	Other Income (Expense), Net
Total before income tax	—	8	
	—	(1)	Income Tax (Expense) Benefit
Net of income tax	—	7	
	2	—	Earnings Attributable to Noncontrolling Interests
	\$ 2	\$ 7	
Pension and other postretirement benefits(2):			
Amortization of actuarial loss	\$ 1	\$ 2	Other Income (Expense), Net
Amortization of actuarial loss	6	—	Income from Discontinued Operations, Net of Income Tax
Amortization of prior service cost	1	—	Other Income (Expense), Net
Settlement charges	4	22	Other Income (Expense), Net
Total before income tax	12	24	
	(2)	—	Income from Discontinued Operations, Net of Income Tax
	(2)	(6)	Income Tax (Expense) Benefit
Net of income tax	\$ 8	\$ 18	
Total reclassifications for the period, net of tax	\$ 655	\$ 25	
SDG&E:			
Financial instruments:			
Interest rate instruments(1)	\$ —	\$ 1	Interest Expense
	—	(1)	Earnings Attributable to Noncontrolling Interest
	\$ —	\$ —	
Pension and other postretirement benefits(2):			
Amortization of prior service cost	\$ 1	\$ 1	Other Income, Net
Total reclassifications for the period, net of tax	\$ 1	\$ 1	
SoCalGas:			
Pension and other postretirement benefits(2):			
Amortization of prior service cost	\$ 1	\$ —	Other Income, Net
Total reclassifications for the period, net of tax	\$ 1	\$ —	

(1) Amounts in 2019 include Otay Mesa VIE. All of SDG&E's interest rate derivative activity relates to Otay Mesa VIE.

(2) Amounts are included in the computation of net periodic benefit cost (see "Pension and Other Postretirement Benefits" above).

RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (CONTINUED)

(Dollars in millions)

Details about accumulated other comprehensive income (loss) components	Amounts reclassified from accumulated other comprehensive income (loss)		Affected line item on Condensed Consolidated Statements of Operations
	Six months ended June 30,		
	2020	2019	
Sempra Energy Consolidated:			
Foreign currency translation adjustments	\$ 645	\$ —	Income from Discontinued Operations, Net of Income Tax
Financial instruments:			
Interest rate and foreign exchange instruments(1)	\$ 4	\$ 1	Interest Expense
	37	(5)	Other Income (Expense), Net
Interest rate instruments	—	10	Gain on Sale of Assets
Interest rate and foreign exchange instruments	1	1	Equity Earnings
Foreign exchange instruments	(2)	1	Revenues: Energy-Related Businesses
	(1)	—	Other Income (Expense), Net
Total before income tax	39	8	
	(12)	(1)	Income Tax (Expense) Benefit
Net of income tax	27	7	
	(6)	(1)	Earnings Attributable to Noncontrolling Interests
	\$ 21	\$ 6	
Pension and other postretirement benefits(2):			
Amortization of actuarial loss	\$ 3	\$ 4	Other Income (Expense), Net
Amortization of actuarial loss	6	—	Income from Discontinued Operations, Net of Income Tax
Amortization of prior service cost	2	1	Other Income (Expense), Net
Settlement charges	9	22	Other Income (Expense), Net
Total before income tax	20	27	
	(2)	—	Income from Discontinued Operations, Net of Income Tax
	(4)	(7)	Income Tax (Expense) Benefit
Net of income tax	\$ 14	\$ 20	
Total reclassifications for the period, net of tax	\$ 680	\$ 26	
SDG&E:			
Financial instruments:			
Interest rate instruments(1)	\$ —	\$ 2	Interest Expense
	—	(2)	Earnings Attributable to Noncontrolling Interest
	\$ —	\$ —	
Pension and other postretirement benefits(2):			
Amortization of prior service cost	\$ 1	\$ 1	Other Income, Net
Total reclassifications for the period, net of tax	\$ 1	\$ 1	
SoCalGas:			
Pension and other postretirement benefits(2):			
Amortization of prior service cost	\$ 1	\$ —	Other Income, Net
Total reclassifications for the period, net of tax	\$ 1	\$ —	

(1) Amounts in 2019 include Otay Mesa VIE. All of SDG&E's interest rate derivative activity relates to Otay Mesa VIE.

(2) Amounts are included in the computation of net periodic benefit cost (see "Pension and Other Postretirement Benefits" above).

SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS

Sempra Energy Series A Preferred Stock

The terms of our series A preferred stock require a notice to holders when the aggregate adjustment to the conversion rates at which shares of series A preferred stock are convertible into shares of Sempra Energy common stock is more than 1%. On July 6,

2020, we notified the holders of the series A preferred stock of such an adjustment. These adjustments, which resulted from the incremental impact of our second quarter dividend declared on our common stock and which became effective as of June 25, 2020, the ex-dividend date for such dividend, include adjustments to the minimum and maximum conversion rates and the related initial and threshold appreciation prices as shown in the following table:

CONVERSION RATES

Applicable market value per share of our common stock	Conversion rate (number of shares of our common stock to be received upon conversion of each share of series A preferred stock)
Greater than \$129.668 (which is the adjusted threshold appreciation price)	0.7712 shares (equal to \$100.00 divided by the adjusted threshold appreciation price)
Equal to or less than \$129.668 but greater than or equal to \$105.8425	Between 0.7712 and 0.9448 shares, determined by dividing \$100.00 by the applicable market value of our common stock
Less than \$105.8425 (which is the adjusted initial price)	0.9448 shares (equal to \$100.00 divided by the adjusted initial price)

Sempra Energy Series C Preferred Stock

On June 19, 2020, we issued 900,000 shares of our 4.875% fixed-rate reset cumulative redeemable perpetual preferred stock, series C (series C preferred stock) in a registered public offering at a price to the public of \$1,000 per share and received net proceeds of approximately \$889 million after deducting the underwriting discount and equity issuance costs of \$11 million. We intend to use the net proceeds for working capital and other general corporate purposes, which may include repayment of indebtedness.

Liquidation Preference

Each share of series C preferred stock has a liquidation preference of \$1,000 plus any accumulated and unpaid dividends (whether or not declared) on such share.

Redemption at the Option of Sempra Energy

The shares of series C preferred stock are perpetual and have no maturity date. However, we may, at our option, redeem the series C preferred stock in whole or in part, from time to time, on any day during the period from and including the July 15 immediately preceding October 15, 2025 and October 15 of every fifth year after 2025 through and including such October 15 at a redemption price in cash equal to \$1,000 per share. Additionally, in the event that a credit rating agency then publishing a rating for us makes certain amendments, clarifications or changes to the criteria it uses to assign equity credit to securities such as the series C preferred stock (Ratings Event), we may redeem the series C preferred stock, in whole but not in part, at any time within 120 days after the conclusion of any review or appeal process instituted by us following the occurrence of the Ratings Event or, if no such review or appeal process is available or sought, the occurrence of such Ratings Event, at a redemption price in cash equal to \$1,020 per share (102% of the liquidation preference per share).

Dividends

Dividends on the series C preferred stock, when, as and if declared by our board of directors or an authorized committee thereof, will be payable in cash, on a cumulative basis, semi-annually in arrears beginning on October 15, 2020. Dividends on the series C preferred stock will be cumulative:

- whether or not we have earnings;
- whether or not the payment of such dividends is then permitted under California law;
- whether or not such dividends are authorized or declared; and
- whether or not any agreements to which we are a party prohibit the current payment of dividends, including any agreement relating to our indebtedness.

We accrue dividends on the series C preferred stock on a monthly basis. The dividend rate from and including June 19, 2020 to, but excluding, October 15, 2025 is 4.875% per annum of the \$1,000 liquidation preference per share. The dividend rate will reset on October 15, 2025 and on October 15 of every fifth year after 2025 and, for each five-year period following such reset dates, will be a per annum rate equal to the Five-year U.S. Treasury Rate as of the second business day prior to such reset date, plus a spread of 4.550%, of the \$1,000 liquidation preference per share.

Voting Rights

The holders of series C preferred stock do not have any voting rights, except with respect to any authorization, creation or increase in the authorized amount of any class or series of capital stock ranking senior to the series C preferred stock, certain amendments to the terms of the series C preferred stock, in certain other limited circumstances and as otherwise specifically required by California law. In addition, whenever dividends on any shares of series C preferred stock have not been declared and paid or have been declared but not paid for three or more dividend periods, whether or not consecutive, the authorized number of directors on our board of directors will automatically be increased by two and the holders of the series C preferred stock, voting together as a single class with holders of any and all other outstanding series of preferred stock of equal rank having similar voting rights, will be entitled to elect two directors to fill such two newly created directorships. This voting right will terminate when all accumulated and unpaid dividends on the series C preferred stock have been paid in full and, upon such termination and the termination of the same voting rights of all other holders of outstanding series of preferred stock that have such voting rights, the term of office of each director elected pursuant to such rights will terminate and the authorized number of directors will automatically decrease by two, subject to the re-vesting of such rights in the event of each subsequent nonpayment.

Ranking

The series C preferred stock ranks, with respect to dividend rights and distribution rights upon our liquidation, winding-up or dissolution:

- senior to our common stock and each other class or series of our capital stock established in the future, unless the terms of such capital stock expressly provide otherwise;
- on parity with our outstanding series A preferred stock and series B preferred stock and each class or series of our capital stock established in the future if the terms of such capital stock provide that it ranks on parity with the series C preferred stock;
- junior to each class or series of our capital stock established in the future, if the terms of such capital stock provide that it ranks senior to the series C preferred stock;
- junior to our existing and future indebtedness and other liabilities; and
- structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries and capital stock of our subsidiaries held by third parties.

SoCalGas Preferred Stock

The preferred stock at SoCalGas is presented at Sempra Energy as a NCI. Sempra Energy records charges against income related to NCI for preferred dividends declared by SoCalGas. We provide additional information regarding preferred stock in Note 13 of the Notes to Consolidated Financial Statements in the Annual Report.

Sempra Energy Common Stock Repurchase Programs

On September 11, 2007, our board of directors authorized the repurchase of our common stock, provided that the amounts spent for such purpose do not exceed the greater of \$2 billion or amounts spent to purchase no more than 40 million shares. At June 30, 2020, approximately \$500 million, not to exceed approximately 12 million shares, remained available under this authorization.

On July 1, 2020, we entered into an accelerated share repurchase program under which we prepaid \$500 million to repurchase shares of our common stock in a share forward transaction. The program was completed on August 4, 2020 with an aggregate of 4,089,375 shares of Sempra Energy common stock repurchased at a valuation amount of \$122.27 per share. Following the completion of the accelerated share repurchase program, the aggregate dollar amount authorized by the September 11, 2007 share repurchase authorization has been exhausted.

On July 6, 2020, our board of directors authorized the repurchase of our common stock at any time and from time to time in an aggregate amount not to exceed the lesser of \$2 billion or amounts spent to purchase no more than 25 million shares. No shares have been repurchased under this authorization.

Other Noncontrolling Interests

Sempra Mexico

In the three months ended June 30, 2020, IEnova repurchased 3,694,156 shares of its outstanding common stock held by NCI for \$10 million, resulting in an increase in Sempra Energy's ownership interest in IEnova from 66.6% at December 31, 2019 to 66.8% at June 30, 2020. In July and August of 2020, IEnova repurchased a total of 12,604,826 shares for \$36 million.

In the three months and six months ended June 30, 2019, IEnova repurchased 600,000 shares and 2,200,000 shares, respectively, of its outstanding common stock held by NCI for \$2 million and \$8 million, respectively, resulting in an increase in Sempra Energy's ownership interest in IEnova from 66.5% at December 31, 2018 to 66.6% at June 30, 2019.

In the first quarter of 2020, IEnova purchased additional shares in ICM Ventures Holdings B.V. for \$9 million, increasing its ownership from 53.7% to 82.5%. ICM Ventures Holdings B.V. owns certain permits and land where IEnova is building terminals for the receipt, storage and delivery of liquid fuels.

Sempra Renewables

As we discuss in Note 5, in April 2019, Sempra Renewables sold its remaining wind assets and investments, which included its wind tax equity arrangements. The remaining ownership interest in PXiSE Energy Solutions, LLC was subsumed into Parent and other.

Sempra LNG

On March 30, 2020, Sempra LNG purchased for \$7 million the 24.6% minority interest in Liberty Gas Storage LLC, which owns 100% of LA Storage, LLC, increasing Sempra LNG's ownership in Liberty Gas Storage LLC to 100%. Prior to the purchase, the minority partner converted \$22 million in notes payable due from Sempra LNG to equity. As a result of the purchase, we recorded an increase in Sempra Energy's shareholders' equity of \$2 million for the difference between the carrying value and fair value related to the change in ownership.

In February 2019, Sempra LNG purchased for \$20 million the 9.1% minority interest in Bay Gas immediately prior to the sale of 100% of Bay Gas.

Sempra LNG and IEnova are jointly developing a proposed natural gas liquefaction project at the site of IEnova's existing ECA LNG Regasification terminal. Sempra LNG consolidates the ECA LNG JV proposed liquefaction project. Thus, Sempra Energy's NCI in IEnova's 50% interest in the proposed project is reported at Sempra LNG.

Discontinued Operations

As we discuss in Note 5, we completed the sales of our equity interests in our Peruvian and Chilean businesses in the second quarter of 2020. The minority interests in Luz del Sur and Tecsur were deconsolidated upon sale of our Peruvian businesses in April 2020, and the minority interests in the Chilquinta Energía subsidiaries were deconsolidated upon sale of our Chilean businesses in June 2020.

The following table provides information about NCI held by others in subsidiaries or entities consolidated by us and recorded in Other Noncontrolling Interests in Total Equity on Sempra Energy's Condensed Consolidated Balance Sheets.

OTHER NONCONTROLLING INTERESTS

(Dollars in millions)

	Percent ownership held by noncontrolling interests		Equity (deficit) held by noncontrolling interests	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Sempra Mexico:				
IEnova	33.2 %	33.4 %	\$ 1,738	\$ 1,608
IEnova subsidiaries ⁽¹⁾	17.5	10.0 – 46.3	7	15
Sempra LNG:				
Liberty Gas Storage LLC	—	24.6	—	(13)
ECA LNG JV	16.6	16.7	15	12
Parent and other:				
PXiSE Energy Solutions, LLC	20.0	20.0	—	1
Discontinued Operations:				
Chilquinta Energía subsidiaries ⁽¹⁾	—	19.7 – 43.4	—	23
Luz del Sur	—	16.4	—	205
Tecsur	—	9.8	—	5
Total Sempra Energy			\$ 1,760	\$ 1,856

⁽¹⁾ IEnova and Chilquinta Energía have subsidiaries with NCI held by others. Percentage range reflects the highest and lowest ownership percentages among these subsidiaries.

TRANSACTIONS WITH AFFILIATES

We summarize amounts due from and to unconsolidated affiliates at Sempra Energy Consolidated, SDG&E and SoCalGas in the following table.

AMOUNTS DUE FROM (TO) UNCONSOLIDATED AFFILIATES

(Dollars in millions)

	June 30, 2020	December 31, 2019
Sempra Energy Consolidated:		
Total due from various unconsolidated affiliates – current, net of negligible allowance for credit losses at June 30, 2020 ⁽¹⁾⁽²⁾	\$ 91	\$ 32
Total due from unconsolidated affiliates – noncurrent – Sempra Mexico – IMG JV – Note due March 15, 2022, net of allowance for credit losses of \$3 at June 30, 2020 ⁽²⁾⁽³⁾	\$ 603	\$ 742
Total due to various unconsolidated affiliates – current	\$ (9)	\$ (5)
Sempra Mexico ⁽²⁾ :		
TAG Pipelines Norte, S. de. R.L. de C.V.:		
Note due December 20, 2021 ⁽⁴⁾	\$ (40)	\$ (39)
5.5% Note due January 9, 2024 ⁽⁵⁾	(66)	—
TAG JV – 5.74% Note due December 17, 2029 ⁽⁵⁾	(161)	(156)
Total due to unconsolidated affiliates – noncurrent	\$ (267)	\$ (195)
SDG&E:		
Sempra Energy	\$ (164)	\$ (37)
SoCalGas	—	(10)
Various affiliates	(9)	(6)
Total due to unconsolidated affiliates – current	\$ (173)	\$ (53)
Income taxes due from Sempra Energy ⁽⁶⁾	\$ 31	\$ 130
SoCalGas:		
SDG&E	\$ —	\$ 10
Various affiliates	1	1
Total due from unconsolidated affiliates – current	\$ 1	\$ 11
Sempra Energy	\$ (85)	\$ (45)
Pacific Enterprises	(50)	—
Various affiliates	—	(2)
Total due to unconsolidated affiliates – current	\$ (135)	\$ (47)
Income taxes due from Sempra Energy ⁽⁶⁾	\$ 34	\$ 152

⁽¹⁾ Amount at June 30, 2020 includes \$25 million of outstanding principal and a negligible amount of accrued interest receivable from a U.S. dollar-denominated loan from IEnova to ESJ at a variable interest rate based on 1-month LIBOR plus 196 bps (2.13% at June 30, 2020) with an amended maturity date of December 31, 2020. Pursuant to the agreement, if ESJ is unable to meet certain conditions for an expansion project by December 31, 2020, IEnova and ESJ have the option to convert the loan to a 10-year note.

⁽²⁾ Amounts include principal balances plus accumulated interest outstanding.

⁽³⁾ Mexican peso-denominated revolving line of credit for up to 14.2 billion Mexican pesos or approximately \$614 million U.S. dollar-equivalent, at a variable interest rate based on the 91-day Interbank Equilibrium Interest Rate plus 220 bps (7.44% at June 30, 2020), to finance construction of the natural gas marine pipeline. At June 30, 2020, \$2 million of accrued interest receivable is included in Due from Unconsolidated Affiliates – Current.

⁽⁴⁾ U.S. dollar-denominated loan at a variable interest rate based on 6-month LIBOR plus 290 bps (3.27% at June 30, 2020).

⁽⁵⁾ U.S. dollar-denominated loan at a fixed interest rate.

⁽⁶⁾ SDG&E and SoCalGas are included in the consolidated income tax return of Sempra Energy and their respective income tax expense is computed as an amount equal to that which would result from each company having always filed a separate return.

The following table summarizes revenues and cost of sales from unconsolidated affiliates.

REVENUES AND COST OF SALES FROM UNCONSOLIDATED AFFILIATES

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenues:				
Sempra Energy Consolidated	\$ 10	\$ 13	\$ 22	\$ 27
SDG&E	2	2	3	3
SoCalGas	20	17	38	34
Cost of Sales:				
Sempra Energy Consolidated	\$ 15	\$ 14	\$ 26	\$ 28
SDG&E	22	20	39	40
SoCalGas	—	—	—	4

Guarantees

Sempra Energy has provided guarantees related to Cameron LNG JV, as we discuss in Note 6 below and in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

OTHER INCOME (EXPENSE), NET

Other Income (Expense), Net, on the Condensed Consolidated Statements of Operations consists of the following:

OTHER INCOME (EXPENSE), NET

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Sempra Energy Consolidated:				
Allowance for equity funds used during construction	\$ 31	\$ 23	\$ 62	\$ 44
Investment gains (losses) ⁽¹⁾	30	11	(7)	37
Gains (losses) on interest rate and foreign exchange instruments, net	5	11	(148)	24
Foreign currency transaction gains (losses), net ⁽²⁾	13	4	(110)	11
Non-service component of net periodic benefit (cost) credit	(23)	(30)	3	(6)
Penalties related to billing practices OII	—	—	—	(8)
Interest on regulatory balancing accounts, net	11	6	13	5
Sundry, net	(5)	3	(5)	3
Total	\$ 62	\$ 28	\$ (192)	\$ 110
SDG&E:				
Allowance for equity funds used during construction	\$ 19	\$ 15	\$ 40	\$ 27
Non-service component of net periodic benefit (cost) credit	(5)	(1)	3	8
Interest on regulatory balancing accounts, net	6	6	8	6
Sundry, net	(2)	(1)	(2)	—
Total	\$ 18	\$ 19	\$ 49	\$ 41
SoCalGas:				
Allowance for equity funds used during construction	\$ 10	\$ 8	\$ 18	\$ 16
Non-service component of net periodic benefit (cost) credit	(13)	(4)	12	14
Penalties related to billing practices OII	—	—	—	(8)
Interest on regulatory balancing accounts, net	5	—	5	(1)
Sundry, net	(4)	(3)	(7)	(4)
Total	\$ (2)	\$ 1	\$ 28	\$ 17

⁽¹⁾ Represents investment gains (losses) on dedicated assets in support of our executive retirement and deferred compensation plans. These amounts are partially offset by corresponding changes in compensation expense related to the plans, recorded in O&M on the Condensed Consolidated Statements of Operations.

⁽²⁾ Includes gains of \$14 million and losses of \$135 million in the three months and six months ended June 30, 2020, respectively, and gains of \$7 million and \$17 million in the three months and six months ended June 30, 2019, respectively, from translation to U.S. dollars of a Mexican peso-denominated loan to IMG JV, which are offset by corresponding amounts included in Equity Earnings on the Condensed Consolidated Statements of Operations.

INCOME TAXES

We provide our calculations of ETRs in the following table.

INCOME TAX EXPENSE (BENEFIT) AND EFFECTIVE INCOME TAX RATES

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Sempra Energy Consolidated:				
Income tax expense (benefit) from continuing operations	\$ 168	\$ 47	\$ (39)	\$ 89
Income from continuing operations before income taxes and equity earnings	\$ 463	\$ 286	\$ 860	\$ 787
Equity earnings, before income tax ⁽¹⁾	84	2	41	7
Pretax income	\$ 547	\$ 288	\$ 901	\$ 794
Effective income tax rate	31%	16 %	(4)%	11%
SDG&E:				
Income tax expense	\$ 70	\$ 35	\$ 128	\$ 40
Income before income taxes	\$ 263	\$ 181	\$ 583	\$ 363
Effective income tax rate	27%	19 %	22 %	11%
SoCalGas:				
Income tax expense (benefit)	\$ 49	\$ (4)	\$ 101	\$ 15
Income before income taxes	\$ 196	\$ 27	\$ 551	\$ 310
Effective income tax rate	25%	(15)%	18 %	5%

⁽¹⁾ We discuss how we recognize equity earnings in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

Sempra Energy, SDG&E and SoCalGas record income taxes for interim periods utilizing a forecasted ETR anticipated for the full year. Unusual and infrequent items and items that cannot be reliably estimated are recorded in the interim period in which they occur, which can result in variability in the ETR.

For SDG&E and SoCalGas, the CPUC requires flow-through rate-making treatment for the current income tax benefit or expense arising from certain property-related and other temporary differences between the treatment for financial reporting and income tax, which will reverse over time. Under the regulatory accounting treatment required for these flow-through temporary differences, deferred income tax assets and liabilities are not recorded to deferred income tax expense, but rather to a regulatory asset or liability, which impacts the ETR. As a result, changes in the relative size of these items compared to pretax income, from period to period, can cause variations in the ETR. The following items are subject to flow-through treatment:

- repairs expenditures related to a certain portion of utility plant fixed assets
- the equity portion of AFUDC, which is non-taxable
- a portion of the cost of removal of utility plant assets
- utility self-developed software expenditures
- depreciation on a certain portion of utility plant assets
- state income taxes

The AFUDC related to equity recorded for regulated construction projects at Sempra Mexico has similar flow-through treatment.

We record income tax (expense) benefit from the transactional effects of foreign currency and inflation. Such effects are partially mitigated by net gains (losses) from foreign currency derivatives that are hedging Sempra Mexico parent's exposure to movements in the Mexico peso from its controlling interest in IEnova.

In the six months ended June 30, 2019, SDG&E and SoCalGas recorded income tax benefits of \$31 million and \$38 million, respectively, from the release of a regulatory liability established in connection with 2017 tax reform for excess deferred income tax balances that the CPUC directed be allocated to shareholders in a January 2019 decision.

Discontinued Operations

In January 2019, our board of directors approved a plan to sell our South American businesses and we completed the sales in the second quarter of 2020, as we discuss in Note 5. Prior to this decision, our repatriation estimate excluded post-2017 earnings and other basis differences related to our South American businesses. Because of our decision to sell our South American businesses, we no longer assert indefinite reinvestment of these basis differences.

Accordingly, we recorded the following income tax impacts from changes in outside basis differences in our discontinued operations in South America:

- \$103 million income tax expense in 2019 related to outside basis differences existing as of the January 25, 2019 approval of our plan to sell our South American businesses; and
- \$7 million income tax benefit in 2020 compared to \$20 million income tax expense in 2019 related to changes in outside basis differences from earnings and foreign currency effects since January 25, 2019.

We have not changed our indefinite reinvestment assertion or repatriation plan for our continuing international operations during 2020.

NOTE 2. NEW ACCOUNTING STANDARDS

We describe below recent accounting pronouncements that have had or may have a significant effect on our financial condition, results of operations, cash flows or disclosures.

ASU 2016-13, “Measurement of Credit Losses on Financial Instruments”: ASU 2016-13, as amended by subsequently issued ASUs, changes how entities measure credit losses for most financial assets and certain other instruments. The standard introduces an “expected credit loss” impairment model that requires immediate recognition of estimated credit losses expected to occur over the remaining life of most financial assets measured at amortized cost, including trade and other receivables, loan receivables and commitments and financial guarantees. ASU 2016-13 also requires use of an allowance to record estimated credit losses on available-for-sale debt securities and expands disclosure requirements regarding an entity’s assumptions, models and methods for estimating the credit losses. We adopted the standard on January 1, 2020 using a modified retrospective approach through a cumulative-effect adjustment to retained earnings. The adoption primarily impacted the expected credit losses associated with accounts receivable balances, amounts due from unconsolidated affiliates and off-balance sheet financial guarantees. There was an insignificant impact to SDG&E’s or SoCalGas’ balance sheets from adoption. The following table shows the initial (decreases) increases on Sempra Energy’s balance sheet at January 1, 2020 from adoption of ASU 2016-13.

IMPACT FROM ADOPTION OF ASU 2016-13

(Dollars in millions)

	Sempra Energy
Accounts receivable – trade, net	\$ (1)
Due from unconsolidated affiliates – noncurrent	(6)
Deferred income tax assets	4
Other current liabilities	4
Deferred credits and other	2
Retained earnings	(7)
Other noncontrolling interests	(2)

ASU 2017-04, “Simplifying the Test for Goodwill Impairment”: ASU 2017-04 removes the second step of the goodwill impairment test, which requires a hypothetical purchase price allocation. An entity will be required to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the carrying amount of goodwill. We adopted ASU 2017-04 on January 1, 2020 and will apply the standard on a prospective basis to our goodwill impairment tests.

ASU 2019-12, “Simplifying the Accounting for Income Taxes”: ASU 2019-12 simplifies certain areas of accounting for income taxes. In addition to other changes, this standard amends ASC 740, “Income Taxes,” as follows:

- removes the exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, including discontinued operations or other comprehensive income;
- simplifies the recognition of deferred taxes related to basis differences as a result of ownership changes in investments;

- specifies an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and
- requires an entity to reflect the effect of an enacted change in tax laws or rates in the annual ETR computation in the interim period that includes the enactment date.

For public entities, ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods therein, with early adoption permitted. The transition method related to the amendments made by ASU 2019-12 varies based on the nature of the change. We will adopt the standard on January 1, 2021 and do not expect it will have a material impact on our financial statements.

ASU 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting”: ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contract modifications that replace LIBOR or another reference rate affected by reference rate reform and to hedging relationships that reference LIBOR or another reference rate that is affected or expected to be affected by reference rate reform. ASU 2020-04 is effective March 12, 2020 and can be applied through December 31, 2022, with certain exceptions for hedging relationships that continue to exist after this date, and may be applied from January 1, 2020. For contract modifications, the standard allows entities to account for modifications as an event that does not require reassessment or remeasurement (i.e., as a continuation of the existing contract). The standard also allows entities to amend their formal designation and documentation of hedging relationships affected or expected to be affected by reference rate reform, without having to de-designate the hedging relationship. Entities may elect the optional expedients and exceptions on an individual hedging relationship basis and independently from one another. We elected the optional expedients for contract modifications. We elected the cash flow hedging expedients to disregard the potential discontinuation of a reference rate when assessing whether a hedged forecasted interest payment is probable and to disregard certain mismatches between the designated hedging instrument and the hedged item when assessing the hedge effectiveness. We are applying these expedients prospectively from January 1, 2020. Application of these expedients preserves the presentation of derivatives consistent with the past presentation. We are still evaluating the remaining optional expedients and exceptions for hedging relationships.

NOTE 3. REVENUES

We discuss revenue recognition for revenues from contracts with customers and from sources other than contracts with customers in Note 3 of the Notes to Consolidated Financial Statements in the Annual Report.

In connection with the COVID-19 pandemic, the California Utilities and the CPUC have implemented certain measures to assist customers, including suspending service disconnections due to nonpayment for residential and small business customers, waiving late payment fees for business customers, and offering flexible payment plans for customers experiencing difficulty paying their electric or gas bills. Additional measures could be mandated or voluntarily implemented in the future. Under the regulatory compact applicable to the California Utilities, including decoupling of rates, recovery of uncollectible expenses, and other recovery mechanisms potentially available (including the CPPMA, which we discuss in Note 4), the California Utilities have continued to recognize revenues under ASC 606, “Revenue from Contracts with Customers,” in the three months and six months ended June 30, 2020.

The following table disaggregates our revenues from contracts with customers by major service line and market and provides a reconciliation to total revenues by segment. The majority of our revenue is recognized over time.

DISAGGREGATED REVENUES

(Dollars in millions)

	SDG&E	SoCalGas	Sempra Mexico	Sempra LNG	Consolidating adjustments and Parent and Other	Sempra Energy Consolidated
Three months ended June 30, 2020						
By major service line:						
Utilities	\$ 1,050	\$ 904	\$ 10	\$ —	\$ (22)	\$ 1,942
Energy-related businesses	—	—	174	9	(1)	182
Revenues from contracts with customers	\$ 1,050	\$ 904	\$ 184	\$ 9	\$ (23)	\$ 2,124
By market:						
Gas	\$ 138	\$ 904	\$ 133	\$ 7	\$ (21)	\$ 1,161
Electric	912	—	51	2	(2)	963
Revenues from contracts with customers	\$ 1,050	\$ 904	\$ 184	\$ 9	\$ (23)	\$ 2,124
Revenues from contracts with customers	\$ 1,050	\$ 904	\$ 184	\$ 9	\$ (23)	\$ 2,124
Utilities regulatory revenues	185	106	—	—	—	291
Other revenues	—	—	91	60	(40)	111
Total revenues	\$ 1,235	\$ 1,010	\$ 275	\$ 69	\$ (63)	\$ 2,526
Six months ended June 30, 2020						
By major service line:						
Utilities	\$ 2,309	\$ 2,448	\$ 30	\$ —	\$ (41)	\$ 4,746
Energy-related businesses	—	—	372	21	(8)	385
Revenues from contracts with customers	\$ 2,309	\$ 2,448	\$ 402	\$ 21	\$ (49)	\$ 5,131
By market:						
Gas	\$ 392	\$ 2,448	\$ 280	\$ 18	\$ (44)	\$ 3,094
Electric	1,917	—	122	3	(5)	2,037
Revenues from contracts with customers	\$ 2,309	\$ 2,448	\$ 402	\$ 21	\$ (49)	\$ 5,131
Revenues from contracts with customers	\$ 2,309	\$ 2,448	\$ 402	\$ 21	\$ (49)	\$ 5,131
Utilities regulatory revenues	195	(43)	—	—	—	152
Other revenues	—	—	182	171	(81)	272
Total revenues	\$ 2,504	\$ 2,405	\$ 584	\$ 192	\$ (130)	\$ 5,555

DISAGGREGATED REVENUES (CONTINUED)
(Dollars in millions)

	SDG&E	SoCalGas	Sempra Mexico	Sempra Renewables	Sempra LNG	Consolidating adjustments and Parent and other	Sempra Energy Consolidated
Three months ended June 30, 2019							
By major service line:							
Utilities	\$ 998	\$ 877	\$ 15	\$ —	\$ —	\$ (20)	\$ 1,870
Energy-related businesses	—	—	202	1	21	(14)	210
Revenues from contracts with customers	\$ 998	\$ 877	\$ 217	\$ 1	\$ 21	\$ (34)	\$ 2,080
By market:							
Gas	\$ 102	\$ 877	\$ 158	\$ —	\$ 19	\$ (29)	\$ 1,127
Electric	896	—	59	1	2	(5)	953
Revenues from contracts with customers	\$ 998	\$ 877	\$ 217	\$ 1	\$ 21	\$ (34)	\$ 2,080
Revenues from contracts with customers	\$ 998	\$ 877	\$ 217	\$ 1	\$ 21	\$ (34)	\$ 2,080
Utilities regulatory revenues	96	(71)	—	—	—	—	25
Other revenues	—	—	101	2	65	(43)	125
Total revenues	\$ 1,094	\$ 806	\$ 318	\$ 3	\$ 86	\$ (77)	\$ 2,230

Six months ended June 30, 2019

By major service line:							
Utilities	\$ 2,234	\$ 2,405	\$ 42	\$ —	\$ —	\$ (38)	\$ 4,643
Energy-related businesses	—	—	459	5	89	(73)	480
Revenues from contracts with customers	\$ 2,234	\$ 2,405	\$ 501	\$ 5	\$ 89	\$ (111)	\$ 5,123
By market:							
Gas	\$ 341	\$ 2,405	\$ 356	\$ —	\$ 86	\$ (105)	\$ 3,083
Electric	1,893	—	145	5	3	(6)	2,040
Revenues from contracts with customers	\$ 2,234	\$ 2,405	\$ 501	\$ 5	\$ 89	\$ (111)	\$ 5,123
Revenues from contracts with customers	\$ 2,234	\$ 2,405	\$ 501	\$ 5	\$ 89	\$ (111)	\$ 5,123
Utilities regulatory revenues	5	(238)	—	—	—	—	(233)
Other revenues	—	—	200	5	138	(105)	238
Total revenues	\$ 2,239	\$ 2,167	\$ 701	\$ 10	\$ 227	\$ (216)	\$ 5,128

Remaining Performance Obligations

For contracts greater than one year, at June 30, 2020, we expect to recognize revenue related to the fixed fee component of the consideration as shown below. SoCalGas did not have any such remaining performance obligations at June 30, 2020.

REMAINING PERFORMANCE OBLIGATIONS⁽¹⁾
(Dollars in millions)

	Sempra Energy Consolidated	SDG&E
2020 (excluding first six months of 2020)	\$ 195	\$ 2
2021	403	4
2022	406	4
2023	407	4
2024	348	4
Thereafter	4,678	71
Total revenues to be recognized	\$ 6,437	\$ 89

⁽¹⁾ Excludes intercompany transactions.

Contract Balances from Revenues from Contracts with Customers

Activities within Sempra Energy's and SDG&E's contract liabilities are presented below. There were no contract liabilities at SDG&E in the six months ended June 30, 2019 or SoCalGas in the six months ended June 30, 2020 and 2019.

CONTRACT LIABILITIES

(Dollars in millions)

	Sempra Energy Consolidated	SDG&E
Balance at January 1, 2020	\$ (163)	\$ (91)
Revenue from performance obligations satisfied during reporting period	2	2
Balance at June 30, 2020 ⁽¹⁾	\$ (161)	\$ (89)
Balance at January 1, 2019	\$ (70)	
Revenue from performance obligations satisfied during reporting period	1	
Payments received in advance	(3)	
Balance at June 30, 2019	\$ (72)	

⁽¹⁾ Includes \$4 million and \$4 million in Other Current Liabilities and \$157 million and \$85 million in Deferred Credits and Other on the Sempra Energy and SDG&E Condensed Consolidated Balance Sheets, respectively.

Receivables from Revenues from Contracts with Customers

The table below shows receivable balances associated with revenues from contracts with customers on our Condensed Consolidated Balance Sheets.

RECEIVABLES FROM REVENUES FROM CONTRACTS WITH CUSTOMERS

(Dollars in millions)

	June 30, 2020	December 31, 2019
Sempra Energy Consolidated:		
Accounts receivable – trade, net	\$ 943	\$ 1,163
Accounts receivable – other, net	9	16
Due from unconsolidated affiliates – current ⁽¹⁾	4	5
Total	\$ 956	\$ 1,184
SDG&E:		
Accounts receivable – trade, net	\$ 418	\$ 398
Accounts receivable – other, net	7	5
Due from unconsolidated affiliates – current ⁽¹⁾	3	2
Total	\$ 428	\$ 405
SoCalGas:		
Accounts receivable – trade, net	\$ 460	\$ 710
Accounts receivable – other, net	2	11
Total	\$ 462	\$ 721

⁽¹⁾ Amount is presented net of amounts due to unconsolidated affiliates on the Condensed Consolidated Balance Sheets, when right of offset exists.

NOTE 4. REGULATORY MATTERS

We discuss regulatory matters in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report, and provide updates to those discussions and information about new regulatory matters below.

REGULATORY ASSETS AND LIABILITIES

We show the details of regulatory assets and liabilities in the following table.

REGULATORY ASSETS (LIABILITIES)

(Dollars in millions)

	June 30, 2020	December 31, 2019
SDG&E:		
Fixed-price contracts and other derivatives	\$ 16	\$ 8
Deferred income taxes refundable in rates	(55)	(108)
Pension and other postretirement benefit plan obligations	95	103
Removal obligations	(2,109)	(2,056)
Environmental costs	44	45
Sunrise Powerlink fire mitigation	119	121
Regulatory balancing accounts ⁽¹⁾⁽²⁾		
Commodity – electric	182	102
Gas transportation	6	22
Safety and reliability	74	77
Public purpose programs	(150)	(124)
2019 GRC retroactive impacts	84	111
Other balancing accounts	172	106
Other regulatory liabilities, net ⁽²⁾	(20)	(153)
Total SDG&E	(1,542)	(1,746)
SoCalGas:		
Deferred income taxes refundable in rates	(123)	(203)
Pension and other postretirement benefit plan obligations	393	400
Employee benefit costs	44	44
Removal obligations	(714)	(728)
Environmental costs	38	40
Regulatory balancing accounts ⁽¹⁾⁽²⁾		
Commodity – gas, including transportation	(180)	(118)
Safety and reliability	331	295
Public purpose programs	(356)	(273)
2019 GRC retroactive impacts	302	400
Other balancing accounts	(22)	(7)
Other regulatory assets (liabilities), net ⁽²⁾	19	(101)
Total SoCalGas	(268)	(251)
Sempra Mexico:		
Deferred income taxes recoverable in rates	83	83
Other regulatory assets	2	6
Total Sempra Energy Consolidated	\$ (1,725)	\$ (1,908)

⁽¹⁾ At June 30, 2020 and December 31, 2019, the noncurrent portion of regulatory balancing accounts – net undercollected for SDG&E was \$120 million and \$108 million, respectively, and for SoCalGas was \$535 million and \$500 million, respectively.

⁽²⁾ Includes regulatory assets earning a return.

CALIFORNIA UTILITIES

COVID-19 Pandemic Protections Memorandum Account

The COVID-19 pandemic is causing a significant impact on the economy and people's livelihoods. On March 4, 2020, Governor Gavin Newsom proclaimed a State of Emergency in California as a result of the threat of COVID-19. In response, on March 17, 2020, the CPUC announced that, retroactive to March 4, 2020, all energy companies under its jurisdiction, including the California Utilities, should take action to implement several emergency customer protection measures to support California customers. In April 2020, the CPUC approved a resolution to establish a disaster relief plan for residential and small business customers affected by the COVID-19 pandemic. In June 2020, the CPUC approved the disaster relief plans covering residential and small business customers that were submitted by each of the California Utilities. The resolution also authorizes each of the California Utilities to establish a CPPMA to track and request recovery of incremental costs associated with complying with the resolution, including costs associated with suspending service disconnections and uncollectible expenses that arise from residential and small business customers' failure to pay. The customer relief measures, which are mandatory for all residential and small business customers, are effective March 2020 and will continue for up to one year. The California Utilities expect to pursue recovery in rates of the costs recorded to the CPPMA in a future proceeding, subject to CPUC approval, which is not assured. In June 2020, the CPUC issued a decision in a separate proceeding addressing service disconnections that, among other things, allows each of the California Utilities to establish a two-way balancing account to record the uncollectible expenses associated with residential customers' inability to pay their electric or gas bills. The California Utilities may also request, at a future date, to transfer any such costs from the CPPMA to the new balancing account.

CPUC General Rate Case

The CPUC uses GRC proceedings to set rates designed to allow the California Utilities to recover their reasonable operating costs and to provide the opportunity to realize their authorized rates of return on their investments.

2019 General Rate Case

As we discuss in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report, in September 2019, the CPUC issued a final decision in the 2019 GRC. The 2019 GRC FD was effective retroactive to January 1, 2019. In the third quarter of 2019, SDG&E and SoCalGas recorded the retroactive after-tax earnings impact of \$36 million and \$84 million, respectively, for the first quarter of 2019 and \$30 million and \$46 million, respectively, for the second quarter of 2019.

The 2019 GRC FD approved SDG&E's and SoCalGas' test year revenues for 2019 and attrition year adjustments for 2020 and 2021. In January 2020, the CPUC issued a final decision implementing a four-year GRC cycle for California IOUs. The California Utilities were directed to file a petition for modification to revise their 2019 GRC to add two additional attrition years, resulting in a transitional five-year GRC period (2019-2023). The California Utilities filed the petition in April 2020 and requested authorization of their post-test year ratemaking mechanism for two additional years. We have requested an increase in the revenue requirement for SDG&E and SoCalGas of approximately \$95 million and \$155 million, respectively, for 2022, and \$96 million and \$137 million, respectively, for 2023, reflecting certain adjustments. These amounts include revenues for both O&M and capital cost attrition. In June 2020, the CPUC issued a ruling to further clarify the issues for review in the California Utilities' petition, which are mainly whether the proposed revenue requirements and mechanisms for the two proposed additional attrition years are just and reasonable. Based on the procedural schedule established in the ruling, we expect a proposed decision in the fourth quarter of 2020.

The 2019 GRC FD clarified that differences between incurred and forecasted income tax expense due to forecasting differences are not subject to tracking in the income tax expense memorandum account beginning in 2019. SDG&E and SoCalGas recorded regulatory liabilities, inclusive of interest, associated with the 2016 through 2018 tracked forecasting differences of \$86 million and \$89 million, respectively. In April 2020, the CPUC confirmed treatment of the two-way income tax expense memorandum account for these 2016 through 2018 balances, at which time the California Utilities released these regulatory liability balances to revenues and regulatory interest.

CPUC Cost of Capital

In December 2019, the CPUC approved the cost of capital and rate structures (shown in the table below) for SDG&E and SoCalGas that are effective January 1, 2020 and will remain in effect through December 31, 2022. SDG&E did not propose a 2020 cost of preferred equity in this proceeding. In January 2020, SDG&E filed an advice letter to continue the cost of preferred equity for test year 2020 at 6.22%, which the CPUC approved in March 2020.

CPUC AUTHORIZED COST OF CAPITAL AND RATE STRUCTURE

SDG&E				SoCalGas		
Authorized weighting	Return on rate base	Weighted return on rate base		Authorized weighting	Return on rate base	Weighted return on rate base
45.25 %	4.59 %	2.08 %	Long-Term Debt	45.60 %	4.23 %	1.93 %
2.75	6.22	0.17	Preferred Equity	2.40	6.00	0.14
52.00	10.20	5.30	Common Equity	52.00	10.05	5.23
100.00 %		7.55 %		100.00 %		7.30 %

The CCM was reauthorized in the 2020 cost of capital proceeding to continue through 2022. The CCM benchmark rate for the 2020 cost of capital is the average monthly utility bond index, as published by Moody’s, for the 12-month period from October 2018 through September 2019. SDG&E’s CCM benchmark rate is 4.498%, based on Moody’s Baa- utility bond index. SoCalGas’ CCM benchmark rate is 4.029%, based on Moody’s A- utility bond index. The index applicable to each utility is based on such utility’s credit rating.

The CCM benchmark rates for SDG&E and SoCalGas are the basis of comparison to determine if future measurement periods “trigger” the CCM. The 12 months ending September 2020 will be the first “CCM Period” to determine if there has been a trigger at SDG&E or SoCalGas. The trigger occurs if the change in the applicable average Moody’s utility bond index relative to the CCM benchmark is larger than plus or minus 1.000%. Accordingly, if a change of more than plus or minus 1.000% occurs, SDG&E’s, SoCalGas’, or both utilities’ authorized ROE would be adjusted, upward or downward, by one half of the difference between the CCM benchmark and the 12-month average determined during the CCM Period. In addition, the authorized recovery rate for the utilities’ cost of debt and preferred equity would be adjusted to their respective actual weighted-average cost, with no change to the authorized capital structure. In the event of a CCM trigger, the CCM benchmark is also re-established. These adjustments would become effective in authorized rates on January 1 of the year following the CCM trigger.

SDG&E

FERC Formulaic Rate Filing

In October 2018, SDG&E submitted its TO5 filing to the FERC to establish its transmission revenue requirement, including rate of return, for SDG&E’s FERC-regulated electric transmission operations and assets. In December 2018, the FERC issued its order accepting and suspending SDG&E’s TO5 filing for five months, during which the existing TO4 rates remained in effect, and established hearing and settlement procedures. The suspension period ended on June 1, 2019, when the proposed TO5 rates took effect, subject to refund and the outcome of the rate filing. As a result, the TO4 ROE of 10.05% was the basis of SDG&E’s FERC-related revenue recognition until March 2020, when the FERC approved the settlement terms that SDG&E and all settling parties reached in October 2019.

The settlement agreement provides for a ROE of 10.60%, consisting of a base ROE of 10.10% plus an additional 50 bps for participation in the California ISO. If the FERC issues an order ruling that California IOUs are no longer eligible for the additional California ISO ROE, SDG&E would refund the additional 50 bps of ROE associated with the California ISO as of the refund effective date (June 1, 2019) in this proceeding. The TO5 term is effective June 1, 2019 and shall remain in effect indefinitely, with parties having the annual right to terminate the agreement beginning in 2022.

In the first quarter of 2020, SDG&E recorded retroactive revenues of \$12 million related to 2019, and additional FERC revenues of \$17 million to conclude a rate base matter, net of certain refunds to be paid to CPUC-jurisdictional customers.

Energy Efficiency Program Inquiry

In January 2020, the CPUC issued a ruling seeking comments on a report prepared by its consultant regarding SDG&E’s Upstream Lighting Program for the program year 2017. The CPUC subsequently expanded the scope of the comments to cover the program year 2018. The Upstream Lighting Program was one of SDG&E’s Energy Efficiency programs designed to produce energy efficiency savings for which SDG&E could earn a performance-based incentive.

Pursuant to the CPUC ruling, intervenors representing ratepayers have questioned SDG&E's management of the program and alleged that certain program expenditures did not benefit the purpose of the program. As a result of the inquiry, SDG&E voluntarily expanded its review to include the program year 2019. Based on this review, SDG&E has concluded some concessions are appropriate, which include refunding certain costs to customers and reducing certain performance-based incentives. Accordingly, in the second quarter of 2020, SDG&E reduced revenues by \$15 million for aggregate amounts recognized in program years 2017, 2018 and 2019. Additional adjustments could be recorded, depending on the CPUC's final decision on the matter.

NOTE 5. ACQUISITIONS, DIVESTITURES AND DISCONTINUED OPERATIONS

We consolidate assets acquired and liabilities assumed as of the purchase date and include earnings from acquisitions in consolidated earnings after the purchase date.

ACQUISITION

Sempra Texas Utilities

TTHC

In February 2020, STIH acquired an additional indirect 0.1975% interest in Oncor through its acquisition of a 1% interest in TTHC from Hunt Strategic Utility Investment, L.L.C. (Hunt), including notes receivable due from TTHC with an aggregate outstanding balance of approximately \$6 million, for a total purchase price of approximately \$23 million in cash, bringing Sempra Energy's indirect ownership in Oncor to approximately 80.45%. TTHC indirectly owns 100% of TTI, which owns 19.75% of Oncor's outstanding membership interests. At the acquisition date, we determined the fair value of the notes receivable was \$7 million based on a discounted cash flow model, and attributed \$16 million to the investment in TTHC, which we recorded as an equity method investment.

STIH's acquisition of the 1% interest is the subject of a lawsuit filed in the Delaware Court of Chancery by the owners of the remaining 99% ownership interest in TTHC. STIH purchased its 1% interest in TTHC in February 2020 after the Delaware Court of Chancery decided, among other things, that STIH's right to purchase the 1% interest was superior to that of the remaining owners of TTHC. The remaining owners appealed that decision and, in May 2020, the Delaware Supreme Court reversed the Delaware Court of Chancery's ruling and remanded the case back to the Delaware Court of Chancery to take actions as necessary to conform to the opinion of the Delaware Supreme Court.

As a result of the Delaware Supreme Court ruling, we reclassified the notes receivable due from TTHC and equity method investment in TTHC, totaling \$23 million, to Accounts Receivable – Other, Net, on Sempra Energy's Condensed Consolidated Balance Sheet, in anticipation of a rescission of STIH's purchase of the 1% interest, which would return Sempra Energy's indirect ownership in Oncor to 80.25%. Any rescission of this sale is dependent on a forthcoming decision from the Delaware Court of Chancery.

Sharyland Holdings

In May 2019, Sempra Energy acquired an indirect, 50% interest in Sharyland Holdings for \$95 million (net of \$7 million post-closing adjustments) pursuant to the Securities Purchase Agreement. In connection with and prior to the consummation of the Securities Purchase Agreement, Sharyland Holdings owned 100% of the membership interests in Sharyland Utilities, LP and Sharyland Utilities, LP converted into a limited liability company, named Sharyland Utilities, L.L.C. We account for our indirect, 50% interest in Sharyland Holdings as an equity method investment.

DIVESTITURES

Sempra Renewables

In April 2019, Sempra Renewables completed the sale of its remaining wind assets and investments to AEP for \$569 million, net of transaction costs, and recorded a \$61 million (\$45 million after tax and NCI) gain, which is included in Gain on Sale of Assets on Sempra Energy's Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2019.

Upon completion of the sale, remaining nominal business activities at Sempra Renewables were subsumed into Parent and other and the Sempra Renewables segment ceased to exist.

Sempra LNG

In February 2019, Sempra LNG completed the sale of its non-utility natural gas storage assets in the southeast U.S. (comprised of Mississippi Hub and Bay Gas), which we classified as held for sale at December 31, 2018, to an affiliate of ArcLight Capital Partners and received cash proceeds of \$322 million, net of transaction costs. In January 2019, Sempra LNG completed the sale of other non-utility assets for \$5 million.

DISCONTINUED OPERATIONS

In January 2019, our board of directors approved a plan to sell our South American businesses. We determined that these businesses, which previously constituted the Sempra South American Utilities segment, and certain activities associated with those businesses, met the held-for-sale criteria. These businesses are presented as discontinued operations, as the sales represent a strategic shift that will have a major effect on our operations and financial results. Upon completion of these sales, we no longer have continuing involvement in or the ability to exercise significant influence on the operating or financial policies of these operations. Accordingly, the results of operations, financial position and cash flows for these businesses have been presented as discontinued operations for all periods presented.

Discontinued operations that were previously in the Sempra South American Utilities segment include our former 100% interest in Chilquinta Energía in Chile, our former 83.6% interest in Luz del Sur in Peru and our former interests in two energy-services companies, Tecnoed and Tecsur, which provide electric construction and infrastructure services to Chilquinta Energía and Luz del Sur, respectively, as well as third parties.

On April 24, 2020, we completed the sale of our equity interests in our Peruvian businesses, including our 83.6% interest in Luz del Sur and our interest in Tecsur, to an affiliate of China Yangtze Power International (Hongkong) Co., Limited for cash proceeds of \$3,549 million, net of transaction costs and as adjusted for post-closing adjustments, and recorded a pretax gain of \$2,271 million (\$1,499 million after tax).

On June 24, 2020, we completed the sale of our equity interests in our Chilean businesses, including our 100% interest in Chilquinta Energía and Tecnoed and our 50% interest in Eletrans, to State Grid International Development Limited for cash proceeds of \$2,232 million, net of transaction costs and subject to post-closing adjustments, and recorded a pretax gain of \$644 million (\$255 million after tax).

In the three months and six months ended June 30, 2020, the pretax gains from the sales of our South American businesses are included in Gain on Sale of Discontinued Operations in the table below and the after-tax gains are included in Income from Discontinued Operations, Net of Income Tax, on the Sempra Energy Condensed Consolidated Statements of Operations.

Summarized results from discontinued operations were as follows:

DISCONTINUED OPERATIONS

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020 ⁽¹⁾	2019	2020 ⁽¹⁾	2019
Revenues	\$ 170	\$ 403	\$ 570	\$ 824
Cost of sales	(111)	(251)	(364)	(516)
Gain on sale of discontinued operations	2,915	—	2,915	—
Operating expenses	(20)	(40)	(66)	(85)
Interest and other	(3)	(6)	(3)	(9)
Income before income taxes and equity earnings	2,951	106	3,052	214
Income tax expense	(1,174)	(29)	(1,195)	(180)
Equity earnings	—	1	—	2
Income from discontinued operations, net of income tax	1,777	78	1,857	36
Earnings attributable to noncontrolling interests	(2)	(8)	(10)	(17)
Earnings from discontinued operations attributable to common shares	\$ 1,775	\$ 70	\$ 1,847	\$ 19

⁽¹⁾ Results include activity until deconsolidation of our Peruvian businesses on April 24, 2020 and Chilean businesses on June 24, 2020.

The following table summarizes the carrying amounts of the major classes of assets and related liabilities classified as held for sale in discontinued operations.

ASSETS HELD FOR SALE IN DISCONTINUED OPERATIONS

(Dollars in millions)

	December 31, 2019
Cash and cash equivalents	\$ 74
Restricted cash ⁽¹⁾	1
Accounts receivable, net	303
Due from unconsolidated affiliates	2
Inventories	36
Other current assets	29
Current assets	<u>\$ 445</u>
Due from unconsolidated affiliates	\$ 54
Goodwill and other intangible assets	801
Property, plant and equipment, net	2,618
Other noncurrent assets	40
Noncurrent assets	<u>\$ 3,513</u>
Short-term debt	\$ 52
Accounts payable	201
Current portion of long-term debt and finance leases	85
Other current liabilities	106
Current liabilities	<u>\$ 444</u>
Long-term debt and finance leases	\$ 702
Deferred income taxes	284
Other noncurrent liabilities	66
Noncurrent liabilities	<u>\$ 1,052</u>

⁽¹⁾ Primarily represents funds held in accordance with Peruvian tax law.

As a result of the sales of our South American businesses, in the second quarter of 2020, we reclassified \$645 million of cumulative foreign currency translation losses from AOCI to Gain on Sale of Discontinued Operations, which is included in Income from Discontinued Operations, Net of Income Tax, on the Sempra Energy Condensed Consolidated Statements of Operations.

NOTE 6. INVESTMENTS IN UNCONSOLIDATED ENTITIES

We generally account for investments under the equity method when we have significant influence over, but do not have control of, these entities. Equity earnings and losses, both before and net of income tax, are combined and presented as Equity Earnings on the Condensed Consolidated Statements of Operations. See Note 12 for information on equity earnings and losses, both before and net of income tax, by segment. See Note 1 for information on how equity earnings and losses before income taxes are factored into the calculations of our pretax income or loss and ETR.

We provide additional information concerning our equity method investments in Notes 5 and 6 of the Notes to Consolidated Financial Statements in the Annual Report.

SEMPRA TEXAS UTILITIES

Oncor Holdings

We account for our 100% ownership interest in Oncor Holdings, which owns an 80.25% interest in Oncor, as an equity method investment. Due to the ring-fencing measures, governance mechanisms, and commitments in effect, we do not have the power to direct the significant activities of Oncor Holdings and Oncor. See Note 6 of the Notes to Consolidated Financial Statements in the Annual Report for additional information related to the restrictions on our ability to direct the significant activities of Oncor Holdings and Oncor.

In the six months ended June 30, 2020, Sempra Energy contributed \$139 million to Oncor, and Oncor Holdings distributed to Sempra Energy \$146 million in dividends.

In the six months ended June 30, 2019, Sempra Energy contributed \$1,180 million to Oncor, which includes \$1,067 million to fund Oncor's acquisition of interests in InfraREIT and certain acquisition-related expenses, which we discuss in Note 5 of the Notes to Consolidated Financial Statements in the Annual Report. In the six months ended June 30, 2019, Oncor Holdings distributed to Sempra Energy \$108 million in dividends.

We provide summarized income statement information for Oncor Holdings in the following table.

SUMMARIZED FINANCIAL INFORMATION – ONCOR HOLDINGS

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Operating revenues	\$ 1,090	\$ 1,041	\$ 2,162	\$ 2,057
Operating expenses	(767)	(757)	(1,568)	(1,532)
Income from operations	323	284	594	525
Interest expense	(102)	(93)	(203)	(179)
Income tax expense	(37)	(30)	(65)	(53)
Net income	173	136	302	250
Noncontrolling interest held by TTI	(35)	(27)	(61)	(50)
Earnings attributable to Sempra Energy	138	109	241	200

SEMPRA LNG

In the six months ended June 30, 2020 and 2019, Sempra LNG invested cash of \$1 million and \$77 million, respectively, in Cameron LNG JV. In the six months ended June 30, 2020, Cameron LNG JV distributed to Sempra Energy \$74 million in dividends. Prior to commencing commercial operations in August 2019, Sempra LNG capitalized \$26 million of interest in the six months ended June 30, 2019 related to its investment in Cameron LNG JV.

Sempra Energy Guarantee for an Affiliate of Cameron LNG JV

In July 2020, an affiliate of Cameron LNG JV entered into a financing arrangement with Cameron LNG JV's four project owners and received aggregate proceeds of \$1.5 billion from two project owners and from external lenders on behalf of the other two project owners (collectively, the affiliate loans), based on their proportionate ownership interest in Cameron LNG JV. The affiliate used the proceeds from the affiliate loans to provide a loan to Cameron LNG JV. The affiliate loans mature in 2039. Principal and interest will be paid from Cameron LNG JV's project cash flows from its three-train natural gas liquefaction export facility. Cameron LNG JV will use the proceeds from its loan to return equity to its project owners. Sempra Energy plans to use its share of the proceeds received for working capital and other general corporate purposes, including the repayment of indebtedness.

Sempra Energy's proportionate share of the affiliate loans, based on its 50.2% ownership interest in Cameron LNG JV, was funded by external lenders comprised of a syndicate of eight banks (the bank debt) to whom Sempra Energy has provided a \$753 million guarantee. Under the terms of the guarantee, Sempra Energy is responsible for repayment of the bank debt if the affiliate of Cameron LNG JV fails to pay the external lenders. Additionally, the external lenders may exercise an option to put the bank debt to Sempra Energy on every one-year anniversary of the closing of the affiliate loans, as well as upon the occurrence of certain transfer events, including a failure by the affiliate to meet its payment obligations under the bank debt. In addition, some or all of the bank debt will be transferred by the external lenders back to Sempra Energy on the five-year anniversary of the affiliate loans, unless the external lenders elect to waive their transfer rights six months prior to the five-year anniversary of the affiliate loans. Sempra Energy also has a right to call the bank debt back from, or to refinance the bank debt with, the external lenders at any time. The guarantee will terminate upon full repayment of the bank debt, including repayment following an event in which the bank debt is put to Sempra Energy. Sempra Energy will record a liability in July 2020 for the fair value of its obligation associated with this guarantee.

RBS SEMPRA COMMODITIES

As we discuss in Note 11, in the first quarter of 2020, we recorded a charge of \$100 million in Equity Earnings on Sempra Energy's Condensed Consolidated Statement of Operations for losses from our investment in RBS Sempra Commodities. We recognized a corresponding liability of \$25 million in Other Current Liabilities and \$75 million in Deferred Credits and Other for our share of estimated losses in excess of the carrying value of our equity method investment.

GUARANTEES

At June 30, 2020, Sempra LNG has provided guarantees aggregating a maximum of \$4.0 billion with an aggregate carrying value of \$2 million associated with Cameron LNG JV's debt obligations. We discuss these guarantees in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

NOTE 7. DEBT AND CREDIT FACILITIES

LINES OF CREDIT

Primary U.S. Committed Lines of Credit

At June 30, 2020, Sempra Energy Consolidated had an aggregate capacity of \$6.7 billion in four primary U.S. committed lines of credit, which provide liquidity and support commercial paper. The principal terms of these committed lines of credit, which expire in May 2024, are described below and in Note 7 of the Notes to Consolidated Financial Statements in the Annual Report.

PRIMARY U.S. COMMITTED LINES OF CREDIT

(Dollars in millions)

	June 30, 2020
	Total facility ⁽¹⁾
Sempra Energy ⁽²⁾	\$ 1,250
Sempra Global	3,185
SDG&E ⁽³⁾	1,500
SoCalGas ⁽³⁾	750
Total	\$ 6,685

⁽¹⁾ All amounts are unused and available as of June 30, 2020.

⁽²⁾ The facility also provides for issuance of \$200 million of letters of credit on behalf of Sempra Energy with the amount of borrowings otherwise available under the facility reduced by the amount of outstanding letters of credit. Subject to obtaining commitments from existing or new lenders and satisfaction of other specified conditions, Sempra Energy has the right to increase the letter of credit commitment up to \$500 million. No letters of credit were outstanding at June 30, 2020.

⁽³⁾ The facility also provides for issuance of \$100 million of letters of credit on behalf of the borrowing utility with the amount of borrowings otherwise available under the facility reduced by the amount of outstanding letters of credit. Subject to obtaining commitments from existing or new lenders and satisfaction of other specified conditions, the borrowing utility has the right to increase the letter of credit commitment up to \$250 million. No letters of credit were outstanding at June 30, 2020.

Sempra Energy, SDG&E and SoCalGas each must maintain a ratio of indebtedness to total capitalization (as defined in each of the applicable credit facilities) of no more than 65% at the end of each quarter. At June 30, 2020, each entity was in compliance with this ratio and all other financial covenants under its respective credit facility.

Foreign Committed Lines of Credit

IEnova has additional general-purpose credit facilities aggregating \$1.8 billion at June 30, 2020. The principal terms of these credit facilities are described below.

FOREIGN COMMITTED LINES OF CREDIT

(U.S. dollar equivalent in millions)

Expiration date of facility	June 30, 2020		
	Total facility	Amounts outstanding	Available unused credit
February 2024 ⁽¹⁾	\$ 1,500	\$ (1,264)	\$ 236
September 2021 ⁽²⁾	280	(280)	—
Total	\$ 1,780	\$ (1,544)	\$ 236

⁽¹⁾ Five-year revolving credit facility with a syndicate of 10 lenders.

⁽²⁾ Two-year revolving credit facility with The Bank of Nova Scotia. Withdrawals may be made for up to two years from September 23, 2019 in U.S. dollars.

In addition to its committed lines of credit, IEnova has a three-year \$100 million uncommitted revolving credit facility with Scotiabank Inverlat S.A. that expires in April 2022. Withdrawals may be made in either U.S. dollars or Mexican pesos. At June 30, 2020, available unused credit on this line was \$100 million.

Letters of Credit

Outside of our domestic and foreign committed credit facilities, we have bilateral unsecured standby letter of credit capacity with select lenders that is uncommitted and supported by reimbursement agreements. At June 30, 2020, we had approximately \$609 million in standby letters of credit outstanding under these agreements.

TERM LOANS

In March 2020 and April 2020, Sempra Energy borrowed a total of \$1,599 million, net of \$1 million of debt discounts and issuance costs, under a 364-day term loan, which has a maturity date of March 16, 2021 with an option to extend the maturity date to September 16, 2021, subject to receiving the consent of the lenders. Borrowings bear interest at benchmark rates plus 80 bps (0.98% at June 30, 2020). Sempra Energy used a portion of the proceeds from the term loan to repay borrowings on its committed lines of credit.

In March 2020, SDG&E borrowed \$200 million under a 364-day term loan, which has a maturity date of March 18, 2021 with an option to extend the maturity date to September 17, 2021, subject to receiving the consent of the lenders. Borrowings bear interest at benchmark rates plus 80 bps (0.99% at June 30, 2020). SDG&E classified this term loan as long-term debt based on management's intent and ability to maintain this level of borrowing on a long-term basis by issuing long-term debt. At June 30, 2020, this term loan is included in Current Portion of Long-Term Debt and Finance Leases on SDG&E's Condensed Consolidated Balance Sheet.

The term loans provide Sempra Energy and SDG&E with additional liquidity outside of their respective committed lines of credit.

WEIGHTED-AVERAGE INTEREST RATES

The weighted-average interest rates on the total short-term debt at June 30, 2020 and December 31, 2019 were as follows:

WEIGHTED-AVERAGE INTEREST RATES

	June 30, 2020	December 31, 2019
Sempra Energy Consolidated	1.02%	2.31%
SDG&E	N/A	1.97
SoCalGas	N/A	1.86

LONG-TERM DEBT

SDG&E

In April 2020, SDG&E issued \$400 million of 3.32% first mortgage bonds maturing in 2050 and received proceeds of \$395 million (net of debt discount, underwriting discounts and debt issuance costs of \$5 million). SDG&E used \$200 million of the proceeds from the offering to repay line of credit borrowings, and the remaining proceeds for working capital and other general corporate purposes.

SoCalGas

In January 2020, SoCalGas issued \$650 million of 2.55% first mortgage bonds maturing in 2030 and received proceeds of \$643 million (net of debt discount, underwriting discounts and debt issuance costs of \$7 million). SoCalGas used the proceeds from the offering to repay outstanding commercial paper and for other general corporate purposes.

Sempra Mexico

In November 2019, IEnova entered into a financing agreement with International Finance Corporation and North American Development Bank to finance and/or refinance the construction of solar generation projects in Mexico. Under this agreement, in April 2020, IEnova borrowed \$100 million from Japan International Cooperation Agency, with loan proceeds of \$98 million (net of debt issuance costs of \$2 million). The loan matures in November 2034 and bears interest based on 6-month LIBOR plus 150 bps. In April 2020, IEnova entered into a floating-to-fixed interest rate swap, resulting in a fixed rate of 2.38%. Also under the financing agreement, in June 2020, IEnova borrowed \$241 million from U.S. International Development Finance Corporation, with loan proceeds of \$236 million (net of debt issuance costs of \$5 million). The loan matures in November 2034 and bears interest at a fixed rate of 2.90%.

Sempra LNG

As we discuss in “Shareholders’ Equity and Noncontrolling Interests – Other Noncontrolling Interests – Sempra LNG” in Note 1, notes payable totaling \$22 million due October 1, 2026 were converted to equity by the minority partner in Liberty Gas Storage LLC and are no longer outstanding.

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative instruments primarily to manage exposures arising in the normal course of business. Our principal exposures are commodity market risk, benchmark interest rate risk and foreign exchange rate exposures. Our use of derivatives for these risks is integrated into the economic management of our anticipated revenues, anticipated expenses, assets and liabilities. Derivatives may be effective in mitigating these risks (1) that could lead to declines in anticipated revenues or increases in anticipated expenses, or (2) that our asset values may fall or our liabilities may increase. Accordingly, our derivative activity summarized below generally represents an impact that is intended to offset associated revenues, expenses, assets or liabilities that are not included in the tables below.

In certain cases, we apply the normal purchase or sale exception to derivative instruments and have other commodity contracts that are not derivatives. These contracts are not recorded at fair value and are therefore excluded from the disclosures below.

In all other cases, we record derivatives at fair value on the Condensed Consolidated Balance Sheets. We have derivatives that are (1) cash flow hedges, (2) fair value hedges, or (3) undesignated. Depending on the applicability of hedge accounting and, for the California Utilities and other operations subject to regulatory accounting, the requirement to pass impacts through to customers, the impact of derivative instruments may be offset in OCI (cash flow hedges), on the balance sheet (regulatory offsets), or recognized in earnings (fair value hedges). We classify cash flows from the principal settlements of cross-currency swaps that hedge exposure related to Mexican peso-denominated debt as financing activities and settlements of other derivative instruments as operating activities on the Condensed Consolidated Statements of Cash Flows.

HEDGE ACCOUNTING

We may designate a derivative as a cash flow hedging instrument if it effectively converts anticipated cash flows associated with revenues or expenses to a fixed dollar amount. We may utilize cash flow hedge accounting for derivative commodity instruments, foreign currency instruments and interest rate instruments. Designating cash flow hedges is dependent on the business context in

which the instrument is being used, the effectiveness of the instrument in offsetting the risk that the future cash flows of a given revenue or expense item may vary, and other criteria.

ENERGY DERIVATIVES

Our market risk is primarily related to natural gas and electricity price volatility and the specific physical locations where we transact. We use energy derivatives to manage these risks. The use of energy derivatives in our various businesses depends on the particular energy market, and the operating and regulatory environments applicable to the business, as follows:

- The California Utilities use natural gas and electricity derivatives, for the benefit of customers, with the objective of managing price risk and basis risks, and stabilizing and lowering natural gas and electricity costs. These derivatives include fixed price natural gas and electricity positions, options, and basis risk instruments, which are either exchange-traded or over-the-counter financial instruments, or bilateral physical transactions. This activity is governed by risk management and transacting activity plans that have been filed with and approved by the CPUC. Natural gas and electricity derivative activities are recorded as commodity costs that are offset by regulatory account balances and are recovered in rates. Net commodity cost impacts on the Condensed Consolidated Statements of Operations are reflected in Cost of Electric Fuel and Purchased Power or in Cost of Natural Gas.
- SDG&E is allocated and may purchase CRRs, which serve to reduce the regional electricity price volatility risk that may result from local transmission capacity constraints. Unrealized gains and losses do not impact earnings, as they are offset by regulatory account balances. Realized gains and losses associated with CRRs, which are recoverable in rates, are recorded in Cost of Electric Fuel and Purchased Power on the Condensed Consolidated Statements of Operations.
- Sempra Mexico and Sempra LNG may use natural gas and electricity derivatives, as appropriate, to optimize the earnings of their assets which support the following businesses: LNG, natural gas transportation and storage, and power generation. Gains and losses associated with undesignated derivatives are recognized in Energy-Related Businesses Revenues or in Energy-Related Businesses Cost of Sales on the Condensed Consolidated Statements of Operations. Certain of these derivatives may also be designated as cash flow hedges. Sempra Mexico may also use natural gas energy derivatives with the objective of managing price risk and lowering natural gas prices at its distribution operations. These derivatives, which are recorded as commodity costs that are offset by regulatory account balances and recovered in rates, are recognized in Cost of Natural Gas on the Condensed Consolidated Statements of Operations.
- From time to time, our various businesses, including the California Utilities, may use other energy derivatives to hedge exposures such as the price of vehicle fuel and GHG allowances.

The following table summarizes net energy derivative volumes.

NET ENERGY DERIVATIVE VOLUMES

(Quantities in millions)

Commodity	Unit of measure	June 30, 2020	December 31, 2019
Sempra Energy Consolidated:			
Natural gas	MMBtu	20	32
Electricity	MWh	2	2
Congestion revenue rights	MWh	42	48
SDG&E:			
Natural gas	MMBtu	32	37
Electricity	MWh	2	2
Congestion revenue rights	MWh	42	48
SoCalGas:			
Natural gas	MMBtu	—	2

In addition to the amounts noted above, we use commodity derivatives to manage risks associated with the physical locations of contractual obligations and assets, such as natural gas purchases and sales.

INTEREST RATE DERIVATIVES

We are exposed to interest rates primarily as a result of our current and expected use of financing. The California Utilities, as well as Sempra Energy and its other subsidiaries and JVs, periodically enter into interest rate derivative agreements intended to moderate our exposure to interest rates and to lower our overall costs of borrowing. In addition, we may utilize interest rate

swaps, typically designated as cash flow hedges, to lock in interest rates on outstanding debt or in anticipation of future financings.

The following table presents the net notional amounts of our interest rate derivatives, excluding JVs.

INTEREST RATE DERIVATIVES

(Dollars in millions)

	June 30, 2020		December 31, 2019	
	Notional debt	Maturities	Notional debt	Maturities
Sempra Energy Consolidated:				
Cash flow hedges	\$ 1,517	2020-2034	\$ 1,445	2020-2034

FOREIGN CURRENCY DERIVATIVES

We utilize cross-currency swaps to hedge exposure related to Mexican peso-denominated debt at our Mexican subsidiaries and JVs. These cash flow hedges exchange our Mexican peso-denominated principal and interest payments into the U.S. dollar and swap Mexican variable interest rates for U.S. fixed interest rates. From time to time, Sempra Mexico and its JVs may use other foreign currency derivatives to hedge exposures related to cash flows associated with revenues from contracts denominated in Mexican pesos that are indexed to the U.S. dollar.

We are also exposed to exchange rate movements at our Mexican subsidiaries and JVs, which have U.S. dollar-denominated cash balances, receivables, payables and debt (monetary assets and liabilities) that give rise to Mexican currency exchange rate movements for Mexican income tax purposes. They also have deferred income tax assets and liabilities denominated in the Mexican peso, which must be translated to U.S. dollars for financial reporting purposes. In addition, monetary assets and liabilities and certain nonmonetary assets and liabilities are adjusted for Mexican inflation for Mexican income tax purposes. We utilize foreign currency derivatives as a means to manage the risk of exposure to significant fluctuations in our income tax expense and equity earnings from these impacts; however, we generally do not hedge our deferred income tax assets and liabilities or for inflation.

We also utilized foreign currency derivatives to hedge exposure to fluctuations in the Peruvian sol and Chilean peso related to the sales of our operations in Peru and Chile, respectively.

The following table presents the net notional amounts of our foreign currency derivatives, excluding JVs.

FOREIGN CURRENCY DERIVATIVES

(Dollars in millions)

	June 30, 2020		December 31, 2019	
	Notional amount	Maturities	Notional amount	Maturities
Sempra Energy Consolidated:				
Cross-currency swaps	\$ 306	2020-2023	\$ 306	2020-2023
Other foreign currency derivatives	1,271	2020-2021	1,796	2020-2021

FINANCIAL STATEMENT PRESENTATION

The Condensed Consolidated Balance Sheets reflect the offsetting of net derivative positions and cash collateral with the same counterparty when a legal right of offset exists. The following tables provide the fair values of derivative instruments on the Condensed Consolidated Balance Sheets, including the amount of cash collateral receivables that were not offset because the cash collateral was in excess of liability positions.

DERIVATIVE INSTRUMENTS ON THE CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	June 30, 2020			
	Other current assets ⁽¹⁾	Other long-term assets	Other current liabilities	Deferred credits and other
Sempra Energy Consolidated:				
Derivatives designated as hedging instruments:				
Interest rate and foreign exchange instruments	\$ 9	\$ —	\$ (27)	\$ (201)
Derivatives not designated as hedging instruments:				
Foreign exchange instruments	16	—	(41)	—
Associated offsetting foreign exchange instruments	(16)	—	16	—
Commodity contracts not subject to rate recovery	107	8	(105)	(11)
Associated offsetting commodity contracts	(103)	(3)	103	3
Commodity contracts subject to rate recovery	21	78	(49)	(44)
Associated offsetting commodity contracts	(4)	(2)	4	2
Associated offsetting cash collateral	—	—	11	—
Net amounts presented on the balance sheet	30	81	(88)	(251)
Additional cash collateral for commodity contracts not subject to rate recovery	27	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	19	—	—	—
Total⁽²⁾	\$ 76	\$ 81	\$ (88)	\$ (251)
SDG&E:				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 17	\$ 78	\$ (44)	\$ (43)
Associated offsetting commodity contracts	(4)	(2)	4	2
Associated offsetting cash collateral	—	—	11	—
Net amounts presented on the balance sheet	13	76	(29)	(41)
Additional cash collateral for commodity contracts subject to rate recovery	15	—	—	—
Total⁽²⁾	\$ 28	\$ 76	\$ (29)	\$ (41)
SoCalGas:				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 4	\$ —	\$ (5)	\$ (1)
Net amounts presented on the balance sheet	4	—	(5)	(1)
Additional cash collateral for commodity contracts subject to rate recovery	4	—	—	—
Total	\$ 8	\$ —	\$ (5)	\$ (1)

⁽¹⁾ Included in Current Assets: Fixed-Price Contracts and Other Derivatives for SDG&E.

⁽²⁾ Normal purchase contracts previously measured at fair value are excluded.

DERIVATIVE INSTRUMENTS ON THE CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	December 31, 2019			
	Other current assets ⁽¹⁾	Other long-term assets	Other current liabilities	Deferred credits and other
Sempra Energy Consolidated:				
Derivatives designated as hedging instruments:				
Interest rate and foreign exchange instruments	\$ —	\$ 3	\$ (17)	\$ (140)
Derivatives not designated as hedging instruments:				
Foreign exchange instruments	41	—	(20)	—
Associated offsetting foreign exchange instruments	(20)	—	20	—
Commodity contracts not subject to rate recovery	34	11	(41)	(10)
Associated offsetting commodity contracts	(32)	(2)	32	2
Commodity contracts subject to rate recovery	41	76	(47)	(47)
Associated offsetting commodity contracts	(6)	(3)	6	3
Associated offsetting cash collateral	—	—	14	—
Net amounts presented on the balance sheet	58	85	(53)	(192)
Additional cash collateral for commodity contracts not subject to rate recovery	43	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	25	—	—	—
Total⁽²⁾	\$ 126	\$ 85	\$ (53)	\$ (192)
SDG&E:				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 30	\$ 76	\$ (41)	\$ (47)
Associated offsetting commodity contracts	(4)	(3)	4	3
Associated offsetting cash collateral	—	—	14	—
Net amounts presented on the balance sheet	26	73	(23)	(44)
Additional cash collateral for commodity contracts subject to rate recovery	16	—	—	—
Total⁽²⁾	\$ 42	\$ 73	\$ (23)	\$ (44)
SoCalGas:				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 11	\$ —	\$ (6)	\$ —
Associated offsetting commodity contracts	(2)	—	2	—
Net amounts presented on the balance sheet	9	—	(4)	—
Additional cash collateral for commodity contracts subject to rate recovery	9	—	—	—
Total	\$ 18	\$ —	\$ (4)	\$ —

⁽¹⁾ Included in Current Assets: Fixed-Price Contracts and Other Derivatives for SDG&E.

⁽²⁾ Normal purchase contracts previously measured at fair value are excluded.

The table below includes the effects of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statements of Operations and in OCI and AOCI:

CASH FLOW HEDGE IMPACTS

(Dollars in millions)

	Pretax gain (loss) recognized in OCI		Location	Pretax (loss) gain reclassified from AOCI into earnings	
	Three months ended June 30,			Three months ended June 30,	
	2020	2019		2020	2019
Sempra Energy Consolidated:					
Interest rate and foreign exchange instruments ⁽¹⁾	\$ 5	\$ (15)	Interest Expense ⁽¹⁾	\$ (2)	\$ —
			Other Income (Expense), Net	4	2
Interest rate instruments	—	—	Gain on Sale of Assets	—	(10)
Interest rate and foreign exchange instruments	(18)	(92)	Equity Earnings	(1)	—
Foreign exchange instruments	(5)	(1)	Revenues: Energy- Related Businesses	—	—
			Other Income (Expense), Net	(1)	—
Total	\$ (18)	\$ (108)		\$ —	\$ (8)
SDG&E:					
Interest rate instruments ⁽¹⁾	\$ —	\$ (1)	Interest Expense ⁽¹⁾	\$ —	\$ (1)
Six months ended June 30,					
	2020	2019	Location	2020	2019
Sempra Energy Consolidated:					
Interest rate and foreign exchange instruments ⁽¹⁾	\$ (87)	\$ (18)	Interest Expense ⁽¹⁾	\$ (4)	\$ (1)
			Other Income (Expense), Net	(37)	5
Interest rate instruments	—	—	Gain on Sale of Assets	—	(10)
Interest rate and foreign exchange instruments	(190)	(160)	Equity Earnings	(1)	(1)
Foreign exchange instruments	16	(4)	Revenues: Energy- Related Businesses	2	(1)
			Other Income (Expense), Net	1	—
Total	\$ (261)	\$ (182)		\$ (39)	\$ (8)
SDG&E:					
Interest rate instruments ⁽¹⁾	\$ —	\$ (1)	Interest Expense ⁽¹⁾	\$ —	\$ (2)

⁽¹⁾ Amounts include Otay Mesa VIE. All of SDG&E's interest rate derivative activity relates to Otay Mesa VIE. On August 14, 2019, Otay Mesa Energy Center LLC paid in full its variable-rate loan and terminated its interest rate swaps.

For Sempra Energy Consolidated, we expect that net losses of \$73 million, which are net of income tax benefit, that are currently recorded in AOCI related to cash flow hedges will be reclassified into earnings during the next 12 months as the hedged items affect earnings. SoCalGas expects that \$1 million of losses, net of income tax benefit, that are currently recorded in AOCI related to cash flow hedges will be reclassified into earnings during the next 12 months as the hedged items affect earnings. Actual amounts ultimately reclassified into earnings depend on the interest rates in effect when derivative contracts mature.

For all forecasted transactions, the maximum remaining term over which we are hedging exposure to the variability of cash flows at June 30, 2020 is approximately 14 years for Sempra Energy Consolidated. The maximum remaining term for which we are hedging exposure to the variability of cash flows at our equity method investees is 19 years.

The following table summarizes the effects of derivative instruments not designated as hedging instruments on the Condensed Consolidated Statements of Operations.

UNDESIGNATED DERIVATIVE IMPACTS

(Dollars in millions)

	Location	Pretax gain (loss) on derivatives recognized in earnings			
		Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Sempra Energy Consolidated:					
Foreign exchange instruments	Other Income (Expense), Net	\$ 2	\$ 9	\$ (112)	\$ 19
Commodity contracts not subject to rate recovery	Revenues: Energy-Related Businesses	13	17	64	17
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	9	(27)	—	(25)
Commodity contracts subject to rate recovery	Cost of Natural Gas	(3)	—	(6)	2
Total		\$ 21	\$ (1)	\$ (54)	\$ 13
SDG&E:					
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	\$ 9	\$ (27)	\$ —	\$ (25)
SoCalGas:					
Commodity contracts subject to rate recovery	Cost of Natural Gas	\$ (3)	\$ —	\$ (6)	\$ 2

CONTINGENT FEATURES

For Sempra Energy Consolidated, SDG&E and SoCalGas, certain of our derivative instruments contain credit limits which vary depending on our credit ratings. Generally, these provisions, if applicable, may reduce our credit limit if a specified credit rating agency reduces our ratings. In certain cases, if our credit ratings were to fall below investment grade, the counterparty to these derivative liability instruments could request immediate payment or demand immediate and ongoing full collateralization.

For Sempra Energy Consolidated, the total fair value of this group of derivative instruments in a net liability position at June 30, 2020 and December 31, 2019 was \$7 million and \$21 million, respectively. For SoCalGas, the total fair value of this group of derivative instruments in a net liability position at June 30, 2020 and December 31, 2019 was \$6 million and \$4 million, respectively. At June 30, 2020, if the credit ratings of Sempra Energy or SoCalGas were reduced below investment grade, \$7 million and \$6 million, respectively, of additional assets could be required to be posted as collateral for these derivative contracts.

For Sempra Energy Consolidated, SDG&E and SoCalGas, some of our derivative contracts contain a provision that would permit the counterparty, in certain circumstances, to request adequate assurance of our performance under the contracts. Such additional assurance, if needed, is not material and is not included in the amounts above.

NOTE 9. FAIR VALUE MEASUREMENTS

We discuss the valuation techniques and inputs we use to measure fair value and the definition of the three levels of the fair value hierarchy in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

RECURRING FAIR VALUE MEASURES

The three tables below, by level within the fair value hierarchy, set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis at June 30, 2020 and December 31, 2019. We classify financial assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair valued assets and liabilities, and their placement within the fair value hierarchy. We have not changed the valuation techniques or types of inputs we use to measure recurring fair value since December 31, 2019.

The fair value of commodity derivative assets and liabilities is presented in accordance with our netting policy, as we discuss in Note 8 under “Financial Statement Presentation.”

The determination of fair values, shown in the tables below, incorporates various factors, including but not limited to, the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests).

Our financial assets and liabilities that were accounted for at fair value on a recurring basis in the tables below include the following (other than a \$5 million investment at December 31, 2019, measured at net asset value):

- Nuclear decommissioning trusts reflect the assets of SDG&E’s NDT, excluding cash balances. A third-party trustee values the trust assets using prices from a pricing service based on a market approach. We validate these prices by comparison to prices from other independent data sources. Securities are valued using quoted prices listed on nationally recognized securities exchanges or based on closing prices reported in the active market in which the identical security is traded (Level 1). Other securities are valued based on yields that are currently available for comparable securities of issuers with similar credit ratings (Level 2).
- For commodity contracts, interest rate derivatives and foreign exchange instruments, we primarily use a market or income approach with market participant assumptions to value these derivatives. Market participant assumptions include those about risk, and the risk inherent in the inputs to the valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable. We have exchange-traded derivatives that are valued based on quoted prices in active markets for the identical instruments (Level 1). We also may have other commodity derivatives that are valued using industry standard models that consider quoted forward prices for commodities, time value, current market and contractual prices for the underlying instruments, volatility factors, and other relevant economic measures (Level 2). Level 3 recurring items relate to CRRs and long-term, fixed-price electricity positions at SDG&E, as we discuss below in “Level 3 Information.”
- Rabbi Trust investments include marketable securities that we value using a market approach based on closing prices reported in the active market in which the identical security is traded (Level 1). These investments in marketable securities were negligible at both June 30, 2020 and December 31, 2019.

RECURRING FAIR VALUE MEASURES – SEMPRA ENERGY CONSOLIDATED
(Dollars in millions)

	Fair value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Nuclear decommissioning trusts:				
Equity securities	\$ 356	\$ 6	\$ —	\$ 362
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	26	26	—	52
Municipal bonds	—	343	—	343
Other securities	—	294	—	294
Total debt securities	26	663	—	689
Total nuclear decommissioning trusts ⁽¹⁾	382	669	—	1,051
Interest rate and foreign exchange instruments	—	9	—	9
Commodity contracts not subject to rate recovery	—	9	—	9
Effect of netting and allocation of collateral ⁽²⁾	27	—	—	27
Commodity contracts subject to rate recovery	3	3	87	93
Effect of netting and allocation of collateral ⁽²⁾	13	—	6	19
Total	\$ 425	\$ 690	\$ 93	\$ 1,208

Liabilities:				
Interest rate and foreign exchange instruments	\$ —	\$ 253	\$ —	\$ 253
Commodity contracts not subject to rate recovery	—	10	—	10
Commodity contracts subject to rate recovery	11	6	70	87
Effect of netting and allocation of collateral ⁽²⁾	(11)	—	—	(11)
Total	\$ —	\$ 269	\$ 70	\$ 339

	Fair value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Nuclear decommissioning trusts:				
Equity securities	\$ 503	\$ 6	\$ —	\$ 509
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	46	11	—	57
Municipal bonds	—	282	—	282
Other securities	—	226	—	226
Total debt securities	46	519	—	565
Total nuclear decommissioning trusts ⁽¹⁾	549	525	—	1,074
Interest rate and foreign exchange instruments	—	24	—	24
Commodity contracts not subject to rate recovery	—	11	—	11
Effect of netting and allocation of collateral ⁽²⁾	43	—	—	43
Commodity contracts subject to rate recovery	5	8	95	108
Effect of netting and allocation of collateral ⁽²⁾	11	8	6	25
Total	\$ 608	\$ 576	\$ 101	\$ 1,285

Liabilities:				
Interest rate and foreign exchange instruments	\$ —	\$ 157	\$ —	\$ 157
Commodity contracts not subject to rate recovery	—	17	—	17
Commodity contracts subject to rate recovery	14	4	67	85
Effect of netting and allocation of collateral ⁽²⁾	(14)	—	—	(14)
Total	\$ —	\$ 178	\$ 67	\$ 245

⁽¹⁾ Excludes cash and cash equivalents.

⁽²⁾ Includes the effect of the contractual ability to settle contracts under master netting agreements and with cash collateral, as well as cash collateral not offset.

RECURRING FAIR VALUE MEASURES – SDG&E
(Dollars in millions)

	Fair value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Nuclear decommissioning trusts:				
Equity securities	\$ 356	\$ 6	\$ —	\$ 362
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	26	26	—	52
Municipal bonds	—	343	—	343
Other securities	—	294	—	294
Total debt securities	26	663	—	689
Total nuclear decommissioning trusts ⁽¹⁾	382	669	—	1,051
Commodity contracts subject to rate recovery	1	1	87	89
Effect of netting and allocation of collateral ⁽²⁾	9	—	6	15
Total	\$ 392	\$ 670	\$ 93	\$ 1,155
Liabilities:				
Commodity contracts subject to rate recovery	\$ 11	\$ —	\$ 70	\$ 81
Effect of netting and allocation of collateral ⁽²⁾	(11)	—	—	(11)
Total	\$ —	\$ —	\$ 70	\$ 70

	Fair value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Nuclear decommissioning trusts:				
Equity securities	\$ 503	\$ 6	\$ —	\$ 509
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	46	11	—	57
Municipal bonds	—	282	—	282
Other securities	—	226	—	226
Total debt securities	46	519	—	565
Total nuclear decommissioning trusts ⁽¹⁾	549	525	—	1,074
Commodity contracts subject to rate recovery	1	3	95	99
Effect of netting and allocation of collateral ⁽²⁾	10	—	6	16
Total	\$ 560	\$ 528	\$ 101	\$ 1,189
Liabilities:				
Commodity contracts subject to rate recovery	\$ 14	\$ —	\$ 67	\$ 81
Effect of netting and allocation of collateral ⁽²⁾	(14)	—	—	(14)
Total	\$ —	\$ —	\$ 67	\$ 67

⁽¹⁾ Excludes cash and cash equivalents.

⁽²⁾ Includes the effect of the contractual ability to settle contracts under master netting agreements and with cash collateral, as well as cash collateral not offset.

RECURRING FAIR VALUE MEASURES – SOCALGAS

(Dollars in millions)

	Fair value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts subject to rate recovery	\$ 2	\$ 2	\$ —	\$ 4
Effect of netting and allocation of collateral ⁽¹⁾	4	—	—	4
Total	\$ 6	\$ 2	\$ —	\$ 8
Liabilities:				
Commodity contracts subject to rate recovery	\$ —	\$ 6	\$ —	\$ 6
Total	\$ —	\$ 6	\$ —	\$ 6

	Fair value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts subject to rate recovery	\$ 4	\$ 5	\$ —	\$ 9
Effect of netting and allocation of collateral ⁽¹⁾	1	8	—	9
Total	\$ 5	\$ 13	\$ —	\$ 18
Liabilities:				
Commodity contracts subject to rate recovery	\$ —	\$ 4	\$ —	\$ 4
Total	\$ —	\$ 4	\$ —	\$ 4

⁽¹⁾ Includes the effect of the contractual ability to settle contracts under master netting agreements and with cash collateral, as well as cash collateral not offset.

Level 3 Information

The table below sets forth reconciliations of changes in the fair value of CRRs and long-term, fixed-price electricity positions classified as Level 3 in the fair value hierarchy for Sempra Energy Consolidated and SDG&E.

LEVEL 3 RECONCILIATIONS⁽¹⁾

(Dollars in millions)

	Three months ended June 30,	
	2020	2019
Balance at April 1	\$ 16	\$ 182
Realized and unrealized (losses) gains	(9)	(13)
Allocated transmission instruments	1	—
Settlements	9	7
Balance at June 30	\$ 17	\$ 176
Change in unrealized gains (losses) relating to instruments still held at June 30	\$ (5)	\$ (3)
	Six months ended June 30,	
	2020	2019
Balance at January 1	\$ 28	\$ 179
Realized and unrealized (losses) gains	(14)	(8)
Allocated transmission instruments	1	—
Settlements	2	5
Balance at June 30	\$ 17	\$ 176
Change in unrealized gains (losses) relating to instruments still held at June 30	\$ (13)	\$ 9

⁽¹⁾ Excludes the effect of the contractual ability to settle contracts under master netting agreements.

Inputs used to determine the fair value of CRRs and fixed-price electricity positions are reviewed and compared with market conditions to determine reasonableness. SDG&E expects all costs related to these instruments to be recoverable through customer rates. As such, there is no impact to earnings from changes in the fair value of these instruments.

CRRs are recorded at fair value based almost entirely on the most current auction prices published by the California ISO, an objective source. Annual auction prices are published once a year, typically in the middle of November, and are the basis for valuing CRRs settling in the following year. For the CRRs settling from January 1 to December 31, the auction price inputs, at a given location, were in the following ranges for the years indicated below:

CONGESTION REVENUE RIGHTS AUCTION PRICE INPUTS

Settlement year	Price per MWh				Median price per MWh
2020	\$	(3.77)	to	\$	6.03
2019		(8.57)	to		35.21

The impact associated with discounting is negligible. Because these auction prices are a less observable input, these instruments are classified as Level 3. The fair value of these instruments is derived from auction price differences between two locations. Positive values between two locations represent expected future reductions in congestion costs, whereas negative values between two locations represent expected future charges. Valuation of our CRRs is sensitive to a change in auction price. If auction prices at one location increase (decrease) relative to another location, this could result in a higher (lower) fair value measurement. We summarize CRR volumes in Note 8.

Long-term, fixed-price electricity positions that are valued using significant unobservable data are classified as Level 3 because the contract terms relate to a delivery location or tenor for which observable market rate information is not available. The fair value of the net electricity positions classified as Level 3 is derived from a discounted cash flow model using market electricity forward price inputs. The range and weighted-average price of these inputs at June 30 were as follows:

LONG-TERM, FIXED-PRICE ELECTRICITY POSITIONS PRICE INPUTS

Settlement year	Price per MWh				Weighted-average price per MWh
2020	\$	20.35	to	\$	51.60
2019		22.00	to		62.65

A significant increase (decrease) in market electricity forward prices would result in a significantly higher (lower) fair value. We summarize long-term, fixed-price electricity position volumes in Note 8.

Realized gains and losses associated with CRRs and long-term electricity positions, which are recoverable in rates, are recorded in Cost of Electric Fuel and Purchased Power on the Condensed Consolidated Statements of Operations. Because unrealized gains and losses are recorded as regulatory assets and liabilities, they do not affect earnings.

Fair Value of Financial Instruments

The fair values of certain of our financial instruments (cash, accounts and notes receivable, short-term amounts due to/from unconsolidated affiliates, dividends and accounts payable, short-term debt and customer deposits) approximate their carrying amounts because of the short-term nature of these instruments. Investments in life insurance contracts that we hold in support of our Supplemental Executive Retirement, Cash Balance Restoration and Deferred Compensation Plans are carried at cash surrender values, which represent the amount of cash that could be realized under the contracts. The following table provides the carrying amounts and fair values of certain other financial instruments that are not recorded at fair value on the Condensed Consolidated Balance Sheets.

FAIR VALUE OF FINANCIAL INSTRUMENTS

(Dollars in millions)

	June 30, 2020					
	Carrying amount	Fair value			Total	
		Level 1	Level 2	Level 3		
Sempra Energy Consolidated:						
Long-term amounts due from unconsolidated affiliates ⁽¹⁾	\$ 606	\$ —	\$ 632	\$ —	\$ 632	
Long-term amounts due to unconsolidated affiliates	267	—	245	—	245	
Total long-term debt ⁽²⁾	21,720	—	24,270	—	24,270	
SDG&E:						
Total long-term debt ⁽³⁾	\$ 5,723	\$ —	\$ 6,759	\$ —	\$ 6,759	
SoCalGas:						
Total long-term debt ⁽⁴⁾	\$ 4,459	\$ —	\$ 5,282	\$ —	\$ 5,282	

	December 31, 2019					
	Carrying amount	Fair value			Total	
		Level 1	Level 2	Level 3		
Sempra Energy Consolidated:						
Long-term amounts due from unconsolidated affiliates	\$ 742	\$ —	\$ 759	\$ —	\$ 759	
Long-term amounts due to unconsolidated affiliates	195	—	184	—	184	
Total long-term debt ⁽²⁾	21,247	—	22,638	26	22,664	
SDG&E:						
Total long-term debt ⁽³⁾	\$ 5,140	\$ —	\$ 5,662	\$ —	\$ 5,662	
SoCalGas:						
Total long-term debt ⁽⁴⁾	\$ 3,809	\$ —	\$ 4,189	\$ —	\$ 4,189	

⁽¹⁾ Before allowances for credit losses of \$3 million at June 30, 2020.

⁽²⁾ Before reductions of unamortized discount and debt issuance costs of \$228 million and \$225 million at June 30, 2020 and December 31, 2019, respectively, and excluding finance lease obligations of \$1,328 million and \$1,289 million at June 30, 2020 and December 31, 2019, respectively.

⁽³⁾ Before reductions of unamortized discount and debt issuance costs of \$51 million and \$48 million at June 30, 2020 and December 31, 2019, respectively, and excluding finance lease obligations of \$1,278 million and \$1,270 million at June 30, 2020 and December 31, 2019, respectively.

⁽⁴⁾ Before reductions of unamortized discount and debt issuance costs of \$40 million and \$34 million at June 30, 2020 and December 31, 2019, respectively, and excluding finance lease obligations of \$50 million and \$19 million at June 30, 2020 and December 31, 2019, respectively.

We provide the fair values for the securities held in the NDT related to SONGS in Note 10.

NOTE 10. SAN ONOFRE NUCLEAR GENERATING STATION

We provide below updates to ongoing matters related to SONGS, a nuclear generating facility near San Clemente, California that ceased operations in June 2013, and in which SDG&E has a 20% ownership interest. We discuss SONGS further in Note 15 of the Notes to Consolidated Financial Statements in the Annual Report.

NUCLEAR DECOMMISSIONING AND FUNDING

As a result of Edison's decision to permanently retire SONGS Units 2 and 3, Edison began the decommissioning phase of the plant. We expect the majority of the decommissioning work to take 10 years after receipt of the required permits. The coastal development permit, the last permit required to be obtained, was issued in October 2019. The Samuel Lawrence Foundation filed a writ petition under the California Coastal Act in LA Superior Court in December 2019 seeking to invalidate the permit and to obtain injunctive relief to stop decommissioning work. Major decommissioning work began in 2020. Decommissioning of Unit 1, removed from service in 1992, is largely complete. The remaining work for Unit 1 will be completed once Units 2 and 3 are dismantled and the spent fuel is removed from the site. The spent fuel is currently being stored on-site, until the DOE identifies a spent fuel storage facility and puts in place a program for the fuel's disposal, as we discuss below. SDG&E is responsible for approximately 20% of the total contract price.

In accordance with state and federal requirements and regulations, SDG&E has assets held in the NDT to fund its share of decommissioning costs for SONGS Units 1, 2 and 3. The amounts collected in rates for SONGS' decommissioning are invested in the NDT, which is comprised of externally managed trust funds. Amounts held by the NDT are invested in accordance with CPUC regulations. SDG&E classifies debt and equity securities held in the NDT as available-for-sale. The NDT assets are presented on the Sempra Energy and SDG&E Condensed Consolidated Balance Sheets at fair value with the offsetting credits recorded in noncurrent Regulatory Liabilities.

Except for the use of funds for the planning of decommissioning activities or NDT administrative costs, CPUC approval is required for SDG&E to access the NDT assets to fund SONGS decommissioning costs for Units 2 and 3. In March 2020, SDG&E received authorization from the CPUC to access NDT funds of up to \$109 million for forecasted 2020 costs.

In December 2016, the IRS and the U.S. Department of the Treasury issued proposed regulations that clarify the definition of "nuclear decommissioning costs," which are costs that may be paid for or reimbursed from a qualified trust fund. The proposed regulations state that costs related to the construction and maintenance of independent spent fuel management installations are included in the definition of "nuclear decommissioning costs." The proposed regulations will be effective prospectively once they are finalized. SDG&E is awaiting the adoption of, or additional refinement to, the proposed regulations before determining whether the proposed regulations will allow SDG&E to access the NDT funds for reimbursement or payment of the spent fuel management costs incurred in 2017 and subsequent years. Further clarification of the proposed regulations could enable SDG&E to access the NDT to recover spent fuel management costs before Edison reaches final settlement with the DOE regarding the DOE's reimbursement of these costs. Historically, the DOE's reimbursements of spent fuel storage costs have not resulted in timely or complete recovery of these costs. We discuss the DOE's responsibility for spent nuclear fuel below. The IRS held public hearings on the proposed regulations in October 2017. It is unclear when clarification of the proposed regulations might be provided or when the proposed regulations will be finalized.

The following table shows the fair values and gross unrealized gains and losses for the securities held in the NDT. We provide additional fair value disclosures for the NDT in Note 9.

NUCLEAR DECOMMISSIONING TRUSTS

(Dollars in millions)

	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
At June 30, 2020:				
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies ⁽¹⁾	\$ 51	\$ 1	\$ —	\$ 52
Municipal bonds ⁽²⁾	327	17	(1)	343
Other securities ⁽³⁾	281	15	(2)	294
Total debt securities	659	33	(3)	689
Equity securities	143	231	(12)	362
Cash and cash equivalents	11	—	—	11
Total	\$ 813	\$ 264	\$ (15)	\$ 1,062
At December 31, 2019:				
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	\$ 57	\$ —	\$ —	\$ 57
Municipal bonds	270	12	—	282
Other securities	218	9	(1)	226
Total debt securities	545	21	(1)	565
Equity securities	176	339	(6)	509
Cash and cash equivalents	8	—	—	8
Total	\$ 729	\$ 360	\$ (7)	\$ 1,082

⁽¹⁾ Maturity dates are 2021-2050.

⁽²⁾ Maturity dates are 2020-2056.

⁽³⁾ Maturity dates are 2020-2072.

The following table shows the proceeds from sales of securities in the NDT and gross realized gains and losses on those sales.

SALES OF SECURITIES IN THE NDT

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Proceeds from sales	\$ 245	\$ 272	\$ 797	\$ 497
Gross realized gains	7	8	99	13
Gross realized losses	(6)	(1)	(11)	(3)

Net unrealized gains and losses, as well as realized gains and losses that are reinvested in the NDT, are included in noncurrent Regulatory Liabilities on Sempra Energy's and SDG&E's Condensed Consolidated Balance Sheets. We determine the cost of securities in the trusts on the basis of specific identification.

ASSET RETIREMENT OBLIGATION AND SPENT NUCLEAR FUEL

The present value of SDG&E's ARO related to decommissioning costs for the SONGS units was \$595 million at June 30, 2020. That amount includes the cost to decommission Units 2 and 3, and the remaining cost to complete the decommissioning of Unit 1, which is substantially complete. The ARO for all three units is based on a cost study prepared in 2017 that is pending CPUC approval. The ARO for Units 2 and 3 reflects the acceleration of the start of decommissioning of these units as a result of the early closure of the plant. SDG&E's share of total decommissioning costs in 2020 dollars is approximately \$860 million.

U.S. DEPARTMENT OF ENERGY NUCLEAR FUEL DISPOSAL

Spent nuclear fuel from SONGS is currently stored on-site in an ISFSI licensed by the Nuclear Regulatory Commission or temporarily in spent fuel pools. In October 2015, the California Coastal Commission approved Edison's application to expand the ISFSI. The ISFSI expansion began construction in 2016 and the transfer of the spent nuclear fuel from Units 2 and 3 to the ISFSI began in 2018. The ISFSI will operate until 2049, when it is assumed that the DOE will have taken custody of all the SONGS spent fuel. The ISFSI would then be decommissioned, and the site restored to its original environmental state. Until then, SONGS owners are responsible for interim storage of spent nuclear fuel at SONGS.

The Nuclear Waste Policy Act of 1982 made the DOE responsible for accepting, transporting, and disposing of spent nuclear fuel. However, it is uncertain when the DOE will begin accepting spent nuclear fuel from SONGS. This delay will lead to increased costs for spent fuel storage. In November 2019, Edison filed a claim for spent fuel management costs in the U.S. Court of Federal Claims for the time period from January 2017 through July 2018. It is unclear when Edison will pursue litigation claims for spent fuel management costs incurred on or after August 1, 2018. SDG&E will continue to support Edison in its pursuit of claims on behalf of the SONGS co-owners against the DOE for its failure to timely accept the spent nuclear fuel.

NUCLEAR INSURANCE

SDG&E and the other owners of SONGS have insurance to cover claims from nuclear liability incidents arising at SONGS. Currently, this insurance provides \$450 million in coverage limits, the maximum amount available, including coverage for acts of terrorism. In addition, the Price-Anderson Act provides an additional \$110 million of coverage. If a nuclear liability loss occurs at SONGS and exceeds the \$450 million insurance limit, this additional coverage would be available to provide a total of \$560 million in coverage limits per incident.

As a result of updated coverage assessments, the SONGS owners have nuclear property damage insurance of \$130 million, which exceeds the minimum federal requirements of \$50 million. This insurance coverage is provided through NEIL. The NEIL policies have specific exclusions and limitations that can result in reduced or eliminated coverage. Insured members as a group are subject to retrospective premium assessments to cover losses sustained by NEIL under all issued policies. SDG&E could be assessed up to \$3.5 million of retrospective premiums based on overall member claims.

The nuclear property insurance program includes an industry aggregate loss limit for non-certified acts of terrorism (as defined by the Terrorism Risk Insurance Act) of \$3.24 billion. This is the maximum amount that will be paid to insured members who suffer losses or damages from these non-certified terrorist acts.

NOTE 11. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

We accrue losses for a legal proceeding when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the uncertainties inherent in legal proceedings make it difficult to reasonably estimate the costs and effects of resolving these matters. Accordingly, actual costs incurred may differ materially from amounts accrued, may exceed applicable insurance coverage and could materially adversely affect our business, cash flows, results of operations, financial condition and prospects. Unless otherwise indicated, we are unable to estimate reasonably possible losses in excess of any amounts accrued.

At June 30, 2020, loss contingency accruals for legal matters, including associated legal fees, that are probable and estimable were \$416 million for Sempra Energy Consolidated, including \$270 million for SoCalGas. Amounts for Sempra Energy Consolidated and SoCalGas include \$260 million for matters related to the Aliso Canyon natural gas storage facility gas leak, which we discuss below.

SoCalGas

Aliso Canyon Natural Gas Storage Facility Gas Leak

From October 23, 2015 through February 11, 2016, SoCalGas experienced a natural gas leak from one of the injection-and-withdrawal wells, SS25, at its Aliso Canyon natural gas storage facility in Los Angeles County. As described below in “Civil and Criminal Litigation” and “Regulatory Proceedings,” numerous lawsuits, investigations and regulatory proceedings have been initiated in response to the Leak, resulting in significant costs, which together with other Leak-related costs are discussed below in “Cost Estimates, Accounting Impact and Insurance.”

Civil and Criminal Litigation. As of August 3, 2020, 394 lawsuits, including approximately 36,000 plaintiffs, are pending against SoCalGas related to the Leak, some of which have also named Sempra Energy. All these cases, other than a matter brought by the Los Angeles County District Attorney and the federal securities class action discussed below, are coordinated before a single court in the LA Superior Court for pretrial management.

In November 2017, in the coordinated proceeding, individuals and business entities filed a Third Amended Consolidated Master Case Complaint for Individual Actions, through which their separate lawsuits will be managed for pretrial purposes. The consolidated complaint asserts causes of action for negligence, negligence per se, private and public nuisance (continuing and permanent), trespass, inverse condemnation, strict liability, negligent and intentional infliction of emotional distress, fraudulent concealment, loss of consortium, wrongful death and violations of Proposition 65 against SoCalGas, with certain causes of action also naming Sempra Energy. The consolidated complaint seeks compensatory and punitive damages for personal injuries, lost wages and/or lost profits, property damage and diminution in property value, injunctive relief, costs of future medical monitoring, civil penalties (including penalties associated with Proposition 65 claims alleging violation of requirements for warning about certain chemical exposures), and attorneys’ fees. SoCalGas is engaged in settlement discussions in connection with these actions and, in the first quarter of 2020, recorded a related accrual of \$277 million, inclusive of estimated legal costs, in Reserve for Aliso Canyon Costs on SoCalGas’ and Sempra Energy’s Condensed Consolidated Balance Sheets. The initial trial previously scheduled for June 2020 for a small number of randomly selected individual plaintiffs was postponed, with a new trial date to be determined by the court.

In January 2017, two consolidated class action complaints were filed against SoCalGas and Sempra Energy, one on behalf of a putative class of persons and businesses who own or lease real property within a five-mile radius of the well (the Property Class Action), and a second on behalf of a putative class of all persons and entities conducting business within five miles of the facility (the Business Class Action). The Property Class Action asserts claims for strict liability for ultra-hazardous activities, negligence, negligence per se, violation of the California Unfair Competition Law, trespass, permanent and continuing public and private nuisance, and inverse condemnation. The Business Class Action asserts a claim for violation of the California Unfair Competition Law. Both complaints seek compensatory, statutory and punitive damages, injunctive relief and attorneys’ fees.

Three property developers filed complaints in July and October of 2018 against SoCalGas and Sempra Energy alleging causes of action for strict liability, negligence per se, negligence, continuing nuisance, permanent nuisance and violation of the California Unfair Competition Law, as well as claims for negligence against certain directors of SoCalGas. The complaints seek compensatory, statutory and punitive damages, injunctive relief and attorneys’ fees.

In October 2018 and January 2019, complaints were filed on behalf of 51 firefighters stationed near the Aliso Canyon natural gas storage facility who allege they were injured by exposure to chemicals released during the Leak. The complaints against SoCalGas and Sempra Energy assert causes of actions for negligence, negligence per se, private and public nuisance (continuing and permanent), trespass, inverse condemnation, strict liability, negligent and intentional infliction of emotional distress, fraudulent concealment and loss of consortium. The complaints seek compensatory and punitive damages for personal injuries, lost wages and/or lost profits, property damage and diminution in property value, and attorney's fees.

Four shareholder derivative actions are also pending alleging breach of fiduciary duties against certain officers and certain directors of Sempra Energy and/or SoCalGas, all of which were joined in an Amended Consolidated Shareholder Derivative Complaint filed in February 2020. A fifth shareholder derivative action filed in March 2017 was dismissed in November 2019 on the grounds that the plaintiff failed to adequately plead his claims, but the court gave leave for him to amend the complaint to cure the defects.

In addition, a federal securities class action alleging violation of the federal securities laws was filed against Sempra Energy and certain of its officers in July 2017 in the U.S. District Court for the Southern District of California. In March 2018, the court dismissed the action with prejudice. The plaintiffs have appealed the dismissal.

In February 2019, the LA Superior Court approved a settlement between SoCalGas and the Los Angeles City Attorney's Office, the County of Los Angeles, the California Office of the Attorney General and CARB of three actions filed by these entities under which SoCalGas made payments and agreed to provide funding for environmental projects totaling \$120 million, including \$21 million in civil penalties, as well as other safety-related commitments.

In September 2016, SoCalGas settled a misdemeanor criminal complaint filed in February 2016 by the Los Angeles County District Attorney's Office against SoCalGas, pleading no contest to a charge that it failed to provide timely notice of the Leak pursuant to California Health and Safety Code section 25510(a), Los Angeles County Code section 12.56.030, and Title 19 California Code of Regulations section 2703(a). In November 2016, the LA Superior Court approved the settlement and entered judgment on the notice charge. Under the settlement, SoCalGas paid a \$75,000 fine, \$233,500 in penalties, and \$246,673 to reimburse costs incurred by Los Angeles County Fire Department's Health and Hazardous Materials Division, as well as completed operational commitments estimated to cost approximately \$6 million. Certain individuals who objected to the settlement petitioned the Court of Appeal to vacate the judgment, contending they should be granted restitution. In July 2019, the Court of Appeal denied the petition in part, but remanded the matter to the trial court to give the petitioners an opportunity to prove damages stemming from only the three-day delay in reporting the Leak. Following the hearing, the trial court denied restitution. The alleged victims have asked the trial court to reconsider its order.

Regulatory Proceedings. In January 2016, CalGEM and the CPUC directed an independent analysis of the technical root cause of the Leak to be conducted by Blade. In May 2019, Blade released its report, which concluded that the Leak was caused by a failure of the production casing of the well due to corrosion and that attempts to stop the Leak were not effectively conducted, but did not identify any instances of non-compliance by SoCalGas. Blade concluded that SoCalGas' compliance activities conducted prior to the Leak did not find indications of a casing integrity issue. Blade opined, however, that there were measures, none of which were required by gas storage regulations at the time, that could have been taken to aid in the early identification of corrosion and that, in Blade's opinion, would have prevented or mitigated the Leak. The report also identified well safety practices and regulations that have since been adopted by CalGEM and implemented by SoCalGas, which address most of the root cause of the Leak identified during Blade's investigation.

In June 2019, the CPUC opened an OII to consider penalties against SoCalGas for the Leak, which it later bifurcated into two phases. The first phase will consider whether SoCalGas violated California Public Utilities Code Section 451 or other laws, CPUC orders or decisions, rules or requirements, whether SoCalGas engaged in unreasonable and/or imprudent practices with respect to its operation and maintenance of the Aliso Canyon natural gas storage facility or its related record-keeping practices, whether SoCalGas cooperated sufficiently with the Safety Enforcement Division (SED) and Blade during the pre-formal investigation, and whether any of the mitigation proposed by Blade should be implemented to the extent not already done. In November 2019, SED, based largely on the Blade report, alleged a total of 330 violations, asserting that SoCalGas violated California Public Utilities Code Section 451 and failed to cooperate in the investigation and to keep proper records. Hearings in the first phase of the OII have been postponed until further notice. The second phase will consider whether SoCalGas should be sanctioned for the Leak and what penalties, if any, should be imposed for any violations proven in the first phase, as well as determine the amounts of various costs incurred by SoCalGas and other parties in connection with the Leak and the ratemaking treatment or other disposition of such costs. In a January 2016 emergency proclamation, the Governor ordered the CPUC to ensure that SoCalGas covers costs related to the Leak and its response, while protecting ratepayers. In addition, CalGEM is investigating the Leak.

In February 2017, the CPUC opened a proceeding pursuant to SB 380 to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility while still maintaining energy and electric reliability for the region, but excluding issues with respect to air quality, public health, causation, culpability or cost responsibility regarding the Leak. The first phase of the proceeding established a framework for the hydraulic, production cost and economic modeling assumptions for the potential reduction in usage or elimination of the Aliso Canyon natural gas storage facility. Phase 2 of the proceeding, which will evaluate the impacts of reducing or eliminating the Aliso Canyon natural gas storage facility using the established framework and models, began in the first quarter of 2019. The CPUC has indicated that it expects to issue its report for Phase 2 in 2020. In December 2019, the CPUC added a third phase of the proceeding to consider alternative means for meeting or avoiding the demand for the facility's services if it were eliminated in either 2027 or 2045.

If the Aliso Canyon natural gas storage facility were to be permanently closed, or if future cash flows from its operation were otherwise insufficient to recover its carrying value, it could result in an impairment of the facility and significantly higher than expected operating costs and/or additional capital expenditures, and natural gas reliability and electric generation could be jeopardized. At June 30, 2020, the Aliso Canyon natural gas storage facility had a net book value of \$775 million. Any significant impairment of this asset, or higher operating costs and additional capital expenditures incurred by SoCalGas that may not be recoverable in customer rates, could have a material adverse effect on SoCalGas' and Sempra Energy's results of operations, financial condition and cash flows.

Cost Estimates, Accounting Impact and Insurance. SoCalGas has incurred significant costs for temporary relocation of community residents; to control the well and stop the Leak; to mitigate the natural gas released; to purchase natural gas to replace what was lost through the Leak; to defend against and, in certain cases, settle, civil and criminal litigation arising from the Leak; to pay the costs of the government-ordered response to the Leak, including the costs for Blade to conduct the root cause analysis described above; to respond to various government and agency investigations regarding the Leak; and to comply with increased regulation imposed as a result of the Leak. At June 30, 2020, SoCalGas estimates these costs related to the Leak are \$1,411 million (the cost estimate), which includes the \$1,277 million of costs recovered or probable of recovery from insurance. This cost estimate may increase significantly as more information becomes available. A substantial portion of the cost estimate has been paid, and \$256 million is accrued as Reserve for Aliso Canyon Costs and \$7 million is accrued in Deferred Credits and Other as of June 30, 2020 on SoCalGas' and Sempra Energy's Condensed Consolidated Balance Sheets.

Except for the amounts paid or estimated to settle certain actions, as described in "Civil and Criminal Litigation" above, the cost estimate does not include all litigation or regulatory costs to the extent it is not possible to predict at this time the outcome of these actions or reasonably estimate the costs to defend or resolve the actions or the amount of damages, restitution, or civil, administrative or criminal fines, sanctions, penalties or other costs or remedies that may be imposed or incurred. The cost estimate also does not include certain other costs incurred by Sempra Energy associated with defending against shareholder derivative lawsuits and other potential costs that we currently do not anticipate incurring or that we cannot reasonably estimate. These costs not included in the cost estimate could be significant and could have a material adverse effect on SoCalGas' and Sempra Energy's cash flows, financial condition and results of operations.

We have received insurance payments for many of the costs included in the cost estimate, including temporary relocation and associated processing costs, control-of-well expenses, costs of the government-ordered response to the Leak, certain legal costs and lost gas. We intend to pursue the full extent of our insurance coverage for the costs we have incurred. Other than directors' and officers' liability insurance, after taking into consideration the additional accrual related to litigation matters described above, we have exhausted all of our insurance in this matter, except as to certain defense costs we may incur in the future, including those related to the shareholder derivative lawsuits described above. We continue to pursue other sources of insurance coverage for costs related to this matter, but we may not be successful in obtaining additional insurance recovery for any of these costs. If we are not able to secure additional insurance recovery for all or a substantial portion of these costs, if any costs we have recorded as an insurance receivable are not collected, if there are delays in receiving insurance recoveries, or if the insurance recoveries are subject to income taxes while the associated costs are not tax deductible, such amounts, which could be significant, could have a material adverse effect on SoCalGas' and Sempra Energy's cash flows, financial condition and results of operations.

As of June 30, 2020, we recorded the expected recovery of the cost estimate related to the Leak of \$505 million as Insurance Receivable for Aliso Canyon Costs on SoCalGas' and Sempra Energy's Condensed Consolidated Balance Sheets. This amount is exclusive of insurance retentions and \$772 million of insurance proceeds we received through June 30, 2020. If we were to conclude that this receivable or a portion of it is no longer probable of recovery from insurers, some or all of this receivable would be charged against earnings, which could have a material adverse effect on SoCalGas' and Sempra Energy's cash flows, financial condition and results of operations.

Sempra Mexico

Energía Costa Azul

IEnova has been engaged in a long-running land dispute relating to property adjacent to its ECA LNG Regasification facility that allegedly overlaps with land owned by the ECA LNG Regasification facility (the facility, however, is not situated on the land that is the subject of this dispute). A claimant to the adjacent property filed complaints in the federal Agrarian Court challenging the refusal of SEDATU in 2006 to issue a title to him for the disputed property. In November 2013, the federal Agrarian Court ordered that SEDATU issue the requested title and cause it to be registered. Both SEDATU and IEnova challenged the ruling, due to lack of notification of the underlying process. In May 2019, a federal court in Mexico reversed the ruling and ordered a retrial. IEnova expects additional proceedings regarding the claims.

Four other cases involving two adjacent areas of real property on which part of the ECA LNG Regasification facility is situated, each brought by a single plaintiff or her descendants, remain pending against the facility. The first disputed area is subject to a claim in the federal Agrarian Court that has been ongoing since 2006, in which the plaintiffs seek to annul the property title for a portion of the land on which the ECA LNG Regasification facility is situated and to obtain possession of a different parcel that allegedly overlaps with the site of the ECA LNG Regasification facility. The second disputed area is one parcel adjacent to the ECA LNG Regasification facility that allegedly overlaps with land on which the ECA LNG Regasification facility is situated, which is subject to a claim in the Agrarian Court and two claims in civil courts. The Agrarian Court proceeding, which seeks an order that SEDATU issue title to the plaintiff, was initiated in 2013 and the parties are awaiting a final decision. The two civil court proceedings, which seek to invalidate the contract by which the ECA LNG Regasification facility purchased the applicable parcel of land on which the ECA LNG Regasification facility is situated on the grounds that the purchase price was allegedly unfair, are progressing at different stages. In the first, initiated in 2013, a lower court ruled in favor of the ECA LNG Regasification facility and the ruling has been appealed by the plaintiff. The same plaintiff filed the second civil case in 2019, which is in its initial stages. IEnova expects further proceedings on these matters.

Several administrative challenges are pending before Mexico's Secretariat of Environment and Natural Resources (the Mexican environmental protection agency) and Federal Tax and Administrative Courts, seeking revocation of the environmental impact authorization issued to the ECA LNG Regasification facility in 2003. These cases generally allege that the conditions and mitigation measures in the environmental impact authorization are inadequate and challenge findings that the activities of the terminal are consistent with regional development guidelines.

In 2018, two related claimants filed separate challenges in the federal district court in Ensenada, Baja California in relation to the environmental and social impact permits issued by each of Agencia de Seguridad, Energía y Ambiente (ASEA) and SENER to ECA LNG JV authorizing natural gas liquefaction activities at the ECA LNG Regasification facility. In the first case, the court issued a provisional injunction in September 2018. In December 2018, ASEA approved modifications to the environmental permit that facilitate the development of the proposed natural gas liquefaction facility in two phases. In May 2019, the court canceled the provisional injunction. The claimant appealed the court's decision canceling the injunction, but was not successful. The claimant's underlying challenge to the permits remains pending. In the second case, the initial request for a provisional injunction was denied. That decision was reversed on appeal in January 2020, resulting in the issuance of a new injunction against the same environmental and social impact permits that were already issued by ASEA and SENER. This injunction has uncertain application absent clarification by the court. The reversal and issuance of the injunction in the second case is under further appeal.

In May 2020, the two third-party capacity customers at the ECA LNG Regasification facility asserted that a 2019 update of the general terms and conditions for service at the facility, as approved by the CRE, resulted in a breach of contract by IEnova and a force majeure event. Citing these circumstances, the customers subsequently stopped making payments of amounts due under their respective LNG storage and regasification agreements. IEnova has rejected the customers' assertions and has drawn (and expects to continue to draw) on the customers' letters of credit provided as payment security. The parties engaged in discussions under the applicable contractual dispute resolution procedures without coming to a mutually acceptable resolution. On July 23, 2020, one of the customers, Shell México Gas Natural, S. de R.L. de C.V. (Shell Mexico), submitted a request for arbitration of the dispute. IEnova will avail itself of its available claims, defenses and remedies in the arbitration proceeding. Shell Mexico has also informed IEnova that it filed a constitutional challenge to the CRE's approval of the update to the general terms and conditions. IEnova is monitoring this proceeding.

One or more unfavorable final decisions on these disputes or challenges, could materially and adversely affect our existing natural gas regasification operations and development projects at the ECA LNG Regasification facility.

Guaymas-El Oro Segment of the Sonora Pipeline

IEnova's Sonora natural gas pipeline consists of two segments, the Sasabe-Puerto Libertad-Guaymas segment, and the Guaymas-El Oro segment. Each segment has its own service agreement with the CFE. In 2015, the Yaqui tribe, with the exception of some members living in the BÁCUM community, granted its consent and a right-of-way easement agreement for the construction of the Guaymas-El Oro segment of the Sonora natural gas pipeline that crosses its territory. Representatives of the BÁCUM community filed a legal challenge in Mexican federal court demanding the right to withhold consent for the project, the stoppage of work in the Yaqui territory and damages. In 2016, the judge granted a suspension order that prohibited the construction of such segment through the BÁCUM community territory. Because the pipeline does not pass through the BÁCUM community, IEnova did not believe the 2016 suspension order prohibited construction in the remainder of the Yaqui territory. Construction of the Guaymas-El Oro segment was completed, and commercial operations began in May 2017.

Following the start of commercial operations of the Guaymas-El Oro segment, IEnova reported damage to the Guaymas-El Oro segment of the Sonora pipeline in the Yaqui territory that has made that section inoperable since August 23, 2017 and, as a result, IEnova declared a force majeure event. In 2017, an appellate court ruled that the scope of the 2016 suspension order encompassed the wider Yaqui territory, which has prevented IEnova from making repairs to put the pipeline back in service. In July 2019, a federal district court ruled in favor of IEnova and held that the Yaqui tribe was properly consulted and that consent from the Yaqui tribe was properly received. Representatives of the BÁCUM community appealed this decision, causing the suspension order preventing IEnova from repairing the damage to the Guaymas-El Oro segment of the Sonora pipeline in the Yaqui territory to remain in place until the appeals process is exhausted.

IEnova exercised its rights under the contract, which included seeking force majeure payments for the two-year period such force majeure payments were required to be made, which ended on August 22, 2019.

In July 2019, the CFE filed a request for arbitration generally to nullify certain contract terms that provide for fixed capacity payments in instances of force majeure and made a demand for substantial damages in connection with the force majeure event. In September 2019, the arbitration process ended when IEnova and the CFE reached an agreement to restart natural gas transportation service on the earlier of completion of repair of the damaged pipeline or January 15, 2020, and to modify the tariff structure and extend the term of the contract by 10 years. In January 2020, IEnova and the CFE agreed to extend the January 15, 2020 new service start date to May 15, 2020. On May 11, 2020, the parties agreed to further extend the service start date to September 15, 2020. Under the revised agreement, the CFE will resume making payments only when the damaged section of the Guaymas-El Oro segment of the Sonora pipeline is repaired. If the pipeline is not repaired by September 15, 2020 and the parties do not agree on a new service start date, IEnova retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits.

If IEnova is unable to make such repairs and resume operations in the Guaymas-El Oro segment of the Sonora pipeline within this time frame or if IEnova terminates the contract and is unable to obtain recovery, there may be a material adverse impact on Sempra Energy's results of operations and cash flows and our ability to recover the carrying value of our investment. The Sasabe-Puerto Libertad-Guaymas segment of the Sonora pipeline remains in full operation and is not impacted by these developments.

Regulatory Actions by the Mexican Government that Impact Renewable Energy Facilities

On April 29, 2020, Mexico's CENACE issued an order that it claims would safeguard Mexico's national power grid from interruptions that may be caused by renewable energy projects. The main provision of the order suspends all legally mandated pre-operative testing that would be needed for new renewable energy projects to commence operations and prevents such projects from connecting to the national power grid until further notice. IEnova's renewable energy projects affected by the order filed for legal protection through amparo claims (constitutional protection lawsuits), and in June 2020, received injunctive relief until the claims are resolved by the courts.

On May 15, 2020, Mexico's SENER published a resolution to establish guidelines intended to guarantee the security and reliability of the national grid's electricity supply by reducing the threat that it claims is caused by clean, intermittent energy. The resolution includes the following key elements:

- provides non-renewable electricity generation facilities, primarily non-renewable power plants, preferential access or easier access to Mexico's national power grid, while increasing restrictions on access to the grid by renewable energy facilities;
- grants the CRE and CENACE broad authority to approve or deny permits and interconnection requests by producers of renewable energy; and
- imposes restrictive measures on the renewable energy sector, including requiring all permits and interconnection agreements to include an early termination clause in the event the renewable energy project fails to make certain additional improvements, at the request of the CRE or CENACE, in accordance with a specific schedule.

IEnova's renewable energy projects, including those in construction and in service, filed amparo claims against the SENER resolution on June 26, 2020 and received injunctive relief on July 17, 2020. In addition, on June 22, 2020, COFECE, Mexico's

antitrust regulator, filed a complaint with Mexico's Supreme Court against the SENER resolution. COFECE's complaint was upheld by the court and, pending the court's final ruling, the decision suspends indefinitely the resolution.

On May 28, 2020, the CRE approved an update to the transmission rates included in legacy renewables and cogeneration energy contracts, based on the claim that the legacy transmission rates did not reflect fair and proportional costs for providing the applicable services and, therefore, created inequitable competitive conditions. Three of IEnova's renewables' facilities are currently holders of contracts with such legacy rates, and any increases in the transmission rates would be passed through directly to their customers. IEnova filed amparo claims for its affected facilities in July 2020.

IEnova and other companies affected by these new orders and regulations have challenged the orders and regulations by filing amparo claims, some of which have been granted injunctive relief. The court-ordered injunctions provide relief until Mexico's Federal District Court ultimately resolves the amparo claims or, with respect to the SENER resolution, until Mexico's Supreme Court issues its final ruling on COFECE's complaint, the timing of which is uncertain. An unfavorable final decision on these amparo challenges, or the potential for an extended dispute, could impact our ability to successfully complete construction of our solar facilities, or to complete them in a timely manner and within expected budgets, may impact our ability to operate our wind and solar facilities already in service at existing levels or at all, and may adversely affect our ability to develop new projects, any of which may have a material adverse impact on our results of operations and cash flows and our ability to recover the carrying values of our renewable energy investments in Mexico.

Other Litigation

Sempra Energy holds an equity method investment in RBS Sempra Commodities, a limited liability partnership in the process of being liquidated. RBS, now NatWest Markets plc, our partner in the JV, paid an assessment of £86 million (approximately \$138 million in U.S. dollars) in October 2014 to HMRC for denied VAT refund claims filed in connection with the purchase of carbon credit allowances by RBS SEE, a subsidiary of RBS Sempra Commodities. RBS SEE has since been sold to J.P. Morgan Chase & Co. and later to Mercuria Energy Group, Ltd. HMRC asserted that RBS was not entitled to reduce its VAT liability by VAT paid on certain carbon credit purchases during 2009 because RBS knew or should have known that certain vendors in the trading chain did not remit their own VAT to HMRC. After paying the assessment, RBS filed a Notice of Appeal of the assessment with the First-Tier Tribunal. Trial on the matter, which could include the assessment of a penalty of up to 100% of the claimed amount, has been scheduled between November 2, 2020 and December 11, 2020.

In 2015, liquidators filed a claim in the High Court of Justice against RBS and Mercuria Energy Europe Trading Limited (the Defendants) on behalf of 10 companies (the Liquidating Companies) that engaged in carbon credit trading via chains that included a company that traded directly with RBS SEE. The claim alleges that the Defendants' participation in the purchase and sale of carbon credits resulted in the Liquidating Companies' carbon credit trading transactions creating a VAT liability they were unable to pay, and that the Defendants are liable to provide for equitable compensation due to dishonest assistance and for compensation under the U.K. Insolvency Act of 1986. Trial on the matter was held in June and July of 2018. On March 10, 2020, the High Court of Justice rendered its judgment mostly in favor of the Liquidating Companies and awarded damages of approximately £45 million (approximately \$55 million in U.S. dollars at June 30, 2020), plus costs and interest, which will be determined after further proceedings.

Although the final outcome of both the High Court of Justice case and First-Tier Tribunal case remains uncertain, we recorded \$100 million in equity losses from our investment in RBS Sempra Commodities in Equity Earnings on the Sempra Energy Condensed Consolidated Statement of Operations in the six months ended June 30, 2020, which represents an estimate of our obligations to settle pending tax matters and related legal costs.

Certain EFH subsidiaries that we acquired as part of the merger of EFH with an indirect subsidiary of Sempra Energy are defendants in personal injury lawsuits brought in state courts throughout the U.S. As of August 3, 2020, 275 such lawsuits are pending with 182 such lawsuits having been served. These cases allege illness or death as a result of exposure to asbestos in power plants designed and/or built by companies whose assets were purchased by predecessor entities to the EFH subsidiaries, and generally assert claims for product defects, negligence, strict liability and wrongful death. They seek compensatory and punitive damages. Additionally, in connection with the EFH bankruptcy proceeding, approximately 28,000 proofs of claim were filed on behalf of persons who allege exposure to asbestos under similar circumstances and assert the right to file such lawsuits in the future. We anticipate additional lawsuits will be filed. None of these claims or lawsuits were discharged in the EFH bankruptcy proceeding. The costs to defend or resolve these lawsuits and the amount of damages that may be imposed or incurred could have a material adverse effect on Sempra Energy's cash flows, financial condition and results of operations.

We are also defendants in ordinary routine litigation incidental to our businesses, including personal injury, employment litigation, product liability, property damage and other claims. Juries have demonstrated an increasing willingness to grant large awards, including punitive damages, in these types of cases.

LEASES

We discuss leases further in Note 16 of the Notes to Consolidated Financial Statements in the Annual Report.

A lease exists when a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We determine if an arrangement is or contains a lease at inception of the contract.

Some of our lease agreements contain nonlease components, which represent activities that transfer a separate good or service to the lessee. As the lessee for both operating and finance leases, we have elected to combine lease and nonlease components as a single lease component for real estate, fleet vehicles, power generating facilities, and pipelines, whereby fixed or in-substance fixed payments allocable to the nonlease component are accounted for as part of the related lease liability and ROU asset. As the lessor, we have elected to combine lease and nonlease components as a single lease component for real estate and power generating facilities if the timing and pattern of transfer of the lease and nonlease components are the same and the lease component would be classified as an operating lease if accounted for separately.

Lessee Accounting

We have operating and finance leases for real and personal property (including office space, land, fleet vehicles, machinery and equipment, warehouses and other operational facilities) and finance leases for PPAs with renewable energy and peaker plant facilities.

We provide supplemental noncash information for operating and finance leases below.

SUPPLEMENTAL NONCASH INFORMATION

(Dollars in millions)

	Six months ended June 30, 2020		
	Sempra Energy Consolidated	SDG&E	SoCalGas
Increase in operating lease obligations for right-of-use assets	\$ 21	\$ —	\$ 2
Increase in finance lease obligations for investment in PP&E	56	20	36

	Six months ended June 30, 2019		
	Sempra Energy Consolidated	SDG&E	SoCalGas
Increase in operating lease obligations for right-of-use assets	\$ 559	\$ 146	\$ 117
Increase in finance lease obligations for investment in PP&E	16	7	9

Leases that Have Not Yet Commenced

SDG&E and SoCalGas have lease agreements for future acquisitions of fleet vehicles with an aggregate maximum lease limit of \$232 million. SDG&E and SoCalGas have utilized \$65 million and \$89 million, respectively, of these maximum lease limits as of June 30, 2020.

Lessor Accounting

Sempra Mexico is a lessor for certain of its natural gas and ethane pipelines, compressor stations and LPG storage facilities.

Generally, we recognize operating lease income on a straight-line basis over the lease term and evaluate the underlying asset for impairment. Certain of our leases contain rate adjustments or are based on foreign currency exchange rates that may result in lease payments received that vary from one period to the next.

We provide information below for leases for which we are the lessor.

LESSOR INFORMATION ON THE CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – SEMPRA ENERGY*(Dollars in millions)*

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Fixed lease payments	\$ 47	\$ 49	\$ 97	\$ 99
Variable lease payments	—	2	—	6
Total revenues from operating leases ⁽¹⁾	\$ 47	\$ 51	\$ 97	\$ 105
Depreciation expense	\$ 9	\$ 10	\$ 19	\$ 19

⁽¹⁾ Included in Revenues: Energy-Related Businesses on the Condensed Consolidated Statements of Operations.**CONTRACTUAL COMMITMENTS**

We discuss below significant changes in the first six months of 2020 to contractual commitments discussed in Notes 1 and 16 of the Notes to Consolidated Financial Statements in the Annual Report.

Natural Gas Contracts

SoCalGas' minimum purchase obligations for natural gas have increased by \$51 million since December 31, 2019 primarily due to new purchase obligations entered into in the second quarter of 2020. Net future payments are expected to increase by \$16 million in 2020, \$35 million in 2021 and decrease by negligible amounts thereafter compared to December 31, 2019.

SoCalGas' interstate pipeline capacity agreement commitments have increased by \$625 million since December 31, 2019 primarily due to new capacity agreements entered into in the second quarter of 2020, which replace existing or expiring agreements. Net future payments are expected to decrease by \$61 million in 2020, and increase by \$17 million in 2021, \$88 million in 2022, \$100 million in 2023, \$90 million in 2024 and \$391 million thereafter compared to December 31, 2019.

Sempra LNG's natural gas storage and transportation commitments have increased by \$535 million since December 31, 2019, primarily from entering into new storage and transportation contracts in the first six months of 2020. We expect future payments to decrease by \$32 million in 2020, and increase by \$38 million in 2021, \$34 million in 2022, \$31 million in 2023, \$28 million in 2024 and \$436 million thereafter compared to December 31, 2019.

LNG Purchase Agreement

Sempra LNG has a sale and purchase agreement for the supply of LNG to the ECA LNG Regasification facility. The commitment amount is calculated using a predetermined formula based on estimated forward prices of the index applicable from 2020 to 2029. Although this agreement specifies a number of cargoes to be delivered, under its terms, the customer may divert certain cargoes, which would reduce amounts paid under the agreement by Sempra LNG. At June 30, 2020, we expect the commitment amount to decrease by \$194 million in 2020, \$11 million in 2021, \$37 million in 2022, \$48 million in 2023, \$52 million in 2024 and \$234 million thereafter (through contract termination in 2029) compared to December 31, 2019, reflecting changes in estimated forward prices since December 31, 2019 and actual transactions for the first six months of 2020. These LNG commitment amounts are based on the assumption that all LNG cargoes, less those already confirmed to be diverted, under the agreement are delivered. Actual LNG purchases in the current and prior years have been significantly lower than the maximum amount provided under the agreement due to the customer electing to divert cargoes as allowed by the agreement.

NOTE 12. SEGMENT INFORMATION

We have five separately managed reportable segments, as follows:

- *SDG&E* provides electric service to San Diego and southern Orange counties and natural gas service to San Diego County.
- *SoCalGas* is a natural gas distribution utility, serving customers throughout most of Southern California and part of central California.
- *Sempra Texas Utilities* holds our investment in Oncor Holdings, which owns an 80.25% interest in Oncor, a regulated electric transmission and distribution utility serving customers in the north-central, eastern, and western and panhandle regions of Texas; and our indirect, 50% interest in Sharyland Holdings, which owns Sharyland Utilities, a regulated electric transmission and distribution utility serving customers near the Texas-Mexico border. As we discuss in Note 5 of the Notes to Consolidated Financial Statements in the Annual Report, we acquired our investment in Sharyland Holdings in May 2019.
- *Sempra Mexico* develops, owns and operates, or holds interests in, natural gas, electric, LNG, LPG, ethane and liquid fuels infrastructure, and has marketing operations for the purchase of LNG and the purchase and sale of natural gas in Mexico.
- *Sempra LNG* develops projects for the export of LNG, holds an interest in a facility for the export of LNG, owns and operates natural gas pipelines, and buys, sells and transports natural gas through its marketing operations, all within the U.S. and Mexico. In February 2019, we completed the sale of our natural gas storage assets at Mississippi Hub and Bay Gas.

In April 2019, Sempra Renewables completed the sale of its remaining wind assets and investments. Upon completion of this sale, remaining nominal business activities at Sempra Renewables were subsumed into Parent and other and the Sempra Renewables segment ceased to exist. The tables below include amounts from Sempra Renewables up until cessation of the segment.

As we discuss in Note 5, the financial information related to our businesses that constituted the Sempra South American Utilities segment is presented as discontinued operations for all periods presented. The information in the tables below excludes amounts from discontinued operations unless otherwise noted. We completed the sales of our discontinued operations in the second quarter of 2020.

We evaluate each segment's performance based on its contribution to Sempra Energy's reported earnings and cash flows. The California Utilities operate in essentially separate service territories, under separate regulatory frameworks and rate structures set by the CPUC and the FERC. We describe the accounting policies of all of our segments in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

The cost of common services shared by the business segments is assigned directly or allocated based on various cost factors, depending on the nature of the service provided. Interest income and expense is recorded on intercompany loans. The loan balances and related interest are eliminated in consolidation.

The following tables show selected information by segment from our Condensed Consolidated Statements of Operations and Condensed Consolidated Balance Sheets. Amounts labeled as "All other" in the following tables consist primarily of activities of parent organizations and include certain nominal amounts from our South American businesses that did not qualify for treatment as discontinued operations.

SEGMENT INFORMATION

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
REVENUES				
SDG&E	\$ 1,235	\$ 1,094	\$ 2,504	\$ 2,239
SoCalGas	1,010	806	2,405	2,167
Sempra Mexico	275	318	584	701
Sempra Renewables	—	3	—	10
Sempra LNG	69	86	192	227
All other	—	—	1	—
Adjustments and eliminations	(1)	(1)	(2)	(1)
Intersegment revenues ⁽¹⁾	(62)	(76)	(129)	(215)
Total	\$ 2,526	\$ 2,230	\$ 5,555	\$ 5,128
INTEREST EXPENSE				
SDG&E	\$ 103	\$ 102	\$ 204	\$ 205
SoCalGas	40	34	80	68
Sempra Mexico	32	29	64	59
Sempra Renewables	—	—	—	3
Sempra LNG	15	3	31	7
All other	102	110	211	219
Intercompany eliminations	(18)	(20)	(36)	(43)
Total	\$ 274	\$ 258	\$ 554	\$ 518
INTEREST INCOME				
SDG&E	\$ —	\$ 1	\$ 1	\$ 2
SoCalGas	1	1	2	1
Sempra Mexico	15	19	33	38
Sempra Renewables	—	1	—	11
Sempra LNG	18	16	40	30
All other	3	—	3	1
Intercompany eliminations	(15)	(17)	(30)	(41)
Total	\$ 22	\$ 21	\$ 49	\$ 42
DEPRECIATION AND AMORTIZATION				
SDG&E	\$ 197	\$ 189	\$ 398	\$ 375
SoCalGas	162	148	321	295
Sempra Mexico	47	46	94	90
Sempra LNG	3	3	5	5
All other	3	3	6	7
Total	\$ 412	\$ 389	\$ 824	\$ 772
INCOME TAX EXPENSE (BENEFIT)				
SDG&E	\$ 70	\$ 35	\$ 128	\$ 40
SoCalGas	49	(4)	101	15
Sempra Mexico	54	44	(253)	116
Sempra Renewables	—	14	—	4
Sempra LNG	18	2	41	6
All other	(23)	(44)	(56)	(92)
Total	\$ 168	\$ 47	\$ (39)	\$ 89
EQUITY EARNINGS (LOSSES)				
Equity earnings (losses), before income tax:				
Sempra Texas Utilities	\$ —	\$ 1	\$ —	\$ 1
Sempra Renewables	—	2	—	5
Sempra LNG	84	—	141	2
All other	—	(1)	(100)	(1)
	84	2	41	7
Equity earnings, net of income tax:				
Sempra Texas Utilities	143	112	249	206
Sempra Mexico	6	4	206	6

		149		116		455		212
Total	\$	233	\$	118	\$	496	\$	219

SEGMENT INFORMATION (CONTINUED)
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
EARNINGS (LOSSES) ATTRIBUTABLE TO COMMON SHARES				
SDG&E	\$ 193	\$ 143	\$ 455	\$ 319
SoCalGas	146	30	449	294
Sempra Texas Utilities	144	113	249	207
Sempra Mexico	61	73	252	130
Sempra Renewables	—	46	—	59
Sempra LNG	61	6	136	11
Discontinued operations	1,775	70	1,847	19
All other	(141)	(127)	(389)	(244)
Total	\$ 2,239	\$ 354	\$ 2,999	\$ 795
EXPENDITURES FOR PROPERTY, PLANT & EQUIPMENT				
SDG&E			\$ 850	\$ 708
SoCalGas			885	659
Sempra Mexico			321	240
Sempra Renewables			—	2
Sempra LNG			136	40
All other			6	2
Total			\$ 2,198	\$ 1,651
ASSETS				
SDG&E			\$ 21,333	\$ 20,560
SoCalGas			17,899	17,077
Sempra Texas Utilities			11,881	11,619
Sempra Mexico			10,763	9,938
Sempra LNG			4,049	3,901
Discontinued operations			—	3,958
All other			4,666	749
Intersegment receivables			(2,206)	(2,137)
Total			\$ 68,385	\$ 65,665
EQUITY METHOD AND OTHER INVESTMENTS				
Sempra Texas Utilities			\$ 11,858	\$ 11,619
Sempra Mexico			914	741
Sempra LNG			1,183	1,256
All other			—	6
Total			\$ 13,955	\$ 13,622

⁽¹⁾ Revenues for reportable segments include intersegment revenues of \$2 million, \$20 million, \$28 million and \$12 million for the three months ended June 30, 2020; \$3 million, \$38 million, \$57 million and \$31 million for the six months ended June 30, 2020; \$2 million, \$17 million, \$32 million and \$25 million for the three months ended June 30, 2019; and \$3 million, \$34 million, \$60 million and \$118 million for the six months ended June 30, 2019 for SDG&E, SoCalGas, Sempra Mexico and Sempra LNG, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Condensed Consolidated Financial Statements and the Notes thereto and "Item 1A. Risk Factors" contained in this report, and the Consolidated Financial Statements and the Notes thereto, "Item 7. MD&A" and "Item 1A. Risk Factors" contained in the Annual Report.

OVERVIEW

Sempra Energy is a California-based energy-services holding company whose businesses invest in, develop and operate energy infrastructure, and provide electric and gas services to customers in North America. As we discuss in Note 12 of the Notes to Condensed Consolidated Financial Statements, our businesses consist of five separately managed reportable segments.

In January 2019, our board of directors approved a plan to sell our South American businesses, which were previously included in our Sempra South American Utilities segment. We completed the sales in the second quarter of 2020. Our South American businesses and certain activities associated with those businesses are presented as discontinued operations for all periods presented. Nominal activities that are not classified as discontinued operations have been subsumed into Parent and other. Our discussions below exclude discontinued operations, unless otherwise noted.

We provide additional information about discontinued operations in Note 5 of the Notes to Condensed Consolidated Financial Statements and about our reportable segments in Note 12 of the Notes to Condensed Consolidated Financial Statements in this report and in “Item 1. Business” in the Annual Report.

This report includes information for the following separate registrants:

- Sempra Energy and its consolidated entities;
- SDG&E and its consolidated VIE (until deconsolidation of Otay Mesa VIE in August 2019); and
- SoCalGas.

References to “we,” “us,” “our” and “Sempra Energy Consolidated” are to Sempra Energy and its consolidated entities, collectively, unless otherwise indicated by the context. We refer to SDG&E and SoCalGas collectively as the California Utilities, which do not include our Texas utilities or the utility in our Sempra Mexico segment. It also does not include utilities within our South American businesses that have been presented as discontinued operations. All references in this MD&A to our reportable segments are not intended to refer to any legal entity with the same or similar name.

Throughout this report, we refer to the following as Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements when discussed together or collectively:

- the Condensed Consolidated Financial Statements and related Notes of Sempra Energy and its subsidiaries and VIEs;
- the Condensed Consolidated Financial Statements and related Notes of SDG&E and its VIE (until deconsolidation of Otay Mesa VIE in August 2019); and
- the Condensed Financial Statements and related Notes of SoCalGas.

RESULTS OF OPERATIONS

We discuss the following in Results of Operations:

- Overall results of operations of Sempra Energy;
- Segment results;
- Significant changes in revenues, costs and earnings; and
- Impact of foreign currency and inflation rates on our results of operations.

OVERALL RESULTS OF OPERATIONS OF SEMPRA ENERGY

In the three months ended June 30, 2020, we reported earnings of \$2.24 billion and diluted EPS of \$7.61 compared to earnings of \$354 million and diluted EPS of \$1.26 for the same period in 2019. In the six months ended June 30, 2020, we reported earnings of \$3.0 billion and diluted EPS of \$9.91 compared to earnings of \$795 million and diluted EPS of \$2.85 for the same period in 2019. The change in diluted EPS in the three months and six months ended June 30, 2020 compared to the same periods in 2019 included a decrease of \$0.40 and \$1.05, respectively, due to an increase in weighted-average common shares outstanding. Our results and diluted EPS were impacted by variances discussed in “Segment Results” below.

SEGMENT RESULTS

This section presents earnings (losses) by Sempra Energy segment, as well as Parent and other, and the related discussion of the changes in segment earnings (losses). Throughout the MD&A, our reference to earnings represents earnings attributable to common shares. Variance amounts presented are the after-tax earnings impact (based on applicable statutory tax rates), unless otherwise noted, and before NCI, where applicable.

SEMPRA ENERGY EARNINGS (LOSSES) BY SEGMENT

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
SDG&E	\$ 193	\$ 143	\$ 455	\$ 319
SoCalGas	146	30	449	294
Sempra Texas Utilities	144	113	249	207
Sempra Mexico	61	73	252	130
Sempra Renewables	—	46	—	59
Sempra LNG	61	6	136	11
Parent and other ⁽¹⁾	(141)	(127)	(389)	(244)
Discontinued operations	1,775	70	1,847	19
Earnings attributable to common shares	\$ 2,239	\$ 354	\$ 2,999	\$ 795

⁽¹⁾ Includes intercompany eliminations recorded in consolidation and certain corporate costs.

Due to the delay in the issuance of the CPUC's final decision in the California Utilities' 2019 GRC, the California Utilities recorded revenues in the first half of 2019 based on levels authorized for 2018 under the 2016 GRC. The 2019 GRC FD, which was issued by the CPUC in September 2019, was effective retroactively to January 1, 2019. The California Utilities' CPUC-authorized base revenues for the first half of 2020 are based on the revenues authorized for the 2019 test year plus the amount authorized for attrition for 2020. Had the 2019 GRC FD been in effect in the first quarter of 2019, SDG&E's and SoCalGas' earnings would have been higher by \$30 million and \$46 million, respectively, for the three months ended June 30, 2019 and by \$66 million and \$130 million, respectively, for the six months ended June 30, 2019. These amounts were recorded in earnings in the third quarter of 2019. We provide additional information on the 2019 GRC FD in Note 4 of the Notes to Condensed Consolidated Financial Statements in this report and in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report.

SDG&E

The increase in earnings of \$50 million (35%) in the three months ended June 30, 2020 was primarily due to:

- \$62 million due to the release of a regulatory liability in 2020 related to 2016-2018 forecasting differences that are not subject to tracking in the income tax expense memorandum account, which we discuss in Note 4 of the Notes to Condensed Consolidated Financial Statements;
- \$19 million higher CPUC base operating margin, net of operating expenses, including \$30 million lower CPUC base operating margin in 2019 due to the delay in the issuance of the 2019 GRC FD; and
- \$6 million higher electric transmission margin; **offset by**
- \$15 million expected to be refunded to customers related to the Energy Efficiency Program inquiry, which we discuss in Note 4 of the Notes to Condensed Consolidated Financial Statements;
- \$8 million higher income tax expense primarily from flow-through items; and
- \$5 million amortization of Wildfire Fund asset.

The increase in earnings of \$136 million (43%) in the first six months of 2020 was primarily due to:

- \$84 million higher CPUC base operating margin, net of operating expenses, including \$66 million lower CPUC base operating margin in 2019 due to the delay in the issuance of the 2019 GRC FD;
- \$62 million due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences;
- \$44 million higher electric transmission margin, including an increase in authorized ROE and the following impacts from the March 2020 FERC-approved TO5 settlement:

- \$18 million to conclude a rate base matter, and
- \$9 million favorable impact from the retroactive application of the final TO5 settlement for 2019; and
- \$13 million higher AFUDC equity; **offset by**
- \$31 million income tax benefit in 2019 from the release of a regulatory liability established in connection with 2017 tax reform for excess deferred income tax balances that the CPUC directed to be allocated to shareholders in a January 2019 decision;
- \$15 million expected to be refunded to customers related to the Energy Efficiency Program inquiry; and
- \$11 million amortization of Wildfire Fund asset.

SoCalGas

The increase in earnings of \$116 million in the three months ended June 30, 2020 was primarily due to:

- \$64 million due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences; and
- \$56 million higher CPUC base operating margin, net of operating expenses, including \$46 million lower CPUC base operating margin in 2019 due to the delay in the issuance of the 2019 GRC FD.

The increase in earnings of \$155 million in the first six months of 2020 was primarily due to:

- \$165 million higher CPUC base operating margin, net of operating expenses, including \$130 million lower CPUC base operating margin in 2019 due to the delay in the issuance of the 2019 GRC FD;
- \$64 million due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences;
- \$24 million higher income tax benefits from flow-through items; and
- \$8 million in penalties in 2019 related to the SoCalGas billing practices OII; **offset by**
- \$72 million from impacts associated with Aliso Canyon natural gas storage facility litigation; and
- \$38 million income tax benefit in 2019 from the impact of the January 2019 CPUC decision allocating certain excess deferred income tax balances to shareholders.

Sempra Texas Utilities

The increase in earnings of \$31 million (27%) in the three months ended June 30, 2020 was primarily due to higher equity earnings from Oncor Holdings in 2020, driven mainly by:

- higher revenues from increased consumption as a result of weather and rate updates to reflect increases in invested capital and customer growth; and
- the impact of Oncor's acquisition of InfraREIT in May 2019; **offset by**
- higher operating costs.

The increase in earnings of \$42 million (20%) in the first six months of 2020 was primarily due to higher equity earnings from Oncor Holdings in 2020, driven mainly by:

- the impact of Oncor's acquisition of InfraREIT in May 2019; and
- higher revenues due to rate updates to reflect increases in invested capital and customer growth, offset by lower consumption due to weather; **offset by**
- higher operating costs.

Sempra Mexico

Because Ecogas, our natural gas distribution utility in Mexico, uses the local currency as its functional currency, its revenues and expenses are translated into U.S. dollars at average exchange rates for the period for consolidation in Sempra Energy Consolidated's results of operations. The variances discussed below are as adjusted for the difference in foreign currency translation rates between years. We discuss these and other foreign currency effects below in "Impact of Foreign Currency and Inflation Rates on Results of Operations."

The decrease in earnings of \$12 million (16%) in the three months ended June 30, 2020 was primarily due to:

- \$9 million lower earnings at the Guaymas-El Oro segment of the Sonora pipeline primarily from force majeure payments that ended in August 2019;
- \$7 million lower earnings from the renewables business including from lower volumes at the Ventika wind power generation facilities;
- \$6 million higher interest expense; and

- \$5 million unfavorable impact from foreign currency and inflation effects net of foreign currency derivatives effects, comprised of:
 - in 2020, \$31 million unfavorable foreign currency and inflation effects, offset by a \$12 million gain from foreign currency derivatives, and
 - in 2019, \$21 million unfavorable foreign currency and inflation effects, offset by a \$7 million gain from foreign currency derivatives; **offset by**
- \$13 million higher earnings primarily due to the start of commercial operations of the Sur de Texas-Tuxpan marine pipeline at IMG JV in the third quarter of 2019; and
- \$27 million earnings attributable to NCI at IEnova in 2020 compared to \$36 million earnings in 2019.

The increase in earnings of \$122 million in the first six months of 2020 was primarily due to:

- \$248 million favorable impact from foreign currency and inflation effects net of foreign currency derivatives effects, comprised of:
 - in 2020, \$295 million favorable foreign currency and inflation effects, offset by a \$79 million loss from foreign currency derivatives, and
 - in 2019, \$46 million unfavorable foreign currency and inflation effects, offset by a \$14 million gain from foreign currency derivatives; and
- \$21 million higher earnings primarily due to the start of commercial operations of the Sur de Texas-Tuxpan marine pipeline at IMG JV in the third quarter of 2019; **offset by**
- \$171 million earnings attributable to NCI at IEnova in 2020 compared to \$64 million earnings in 2019;
- \$18 million lower earnings at the Guaymas-El Oro segment of the Sonora pipeline primarily from force majeure payments that ended in August 2019;
- \$12 million lower earnings at TdM primarily due to lower prices and volumes; and
- \$7 million higher interest expense.

Sempra Renewables

As we discuss in Note 5 of the Notes to Consolidated Financial Statements in the Annual Report, Sempra Renewables sold its remaining wind assets and investments in April 2019, upon which date the segment ceased to exist.

Sempra LNG

The increase in earnings of \$55 million in the three months ended June 30, 2020 included \$65 million higher earnings from Cameron LNG JV primarily due to Train 1 and Train 2 commencing commercial operations under their tolling agreements in August 2019 and February 2020, respectively.

The increase in earnings of \$125 million in the first six months of 2020 was primarily due to:

- \$110 million higher earnings from Cameron LNG JV primarily due to Train 1 and Train 2 commencing commercial operations; and
- \$37 million higher earnings from Sempra LNG's marketing operations primarily driven by changes in natural gas prices.

Parent and Other

The increase in losses of \$14 million (11%) in the three months ended June 30, 2020 was primarily due to:

- \$20 million income tax expense in 2020 compared to a \$1 million income tax benefit in 2019 primarily due to:
 - \$8 million increase in valuation allowance against certain foreign tax credits, and
 - \$5 million consolidated California state income tax expense in 2020 associated with income from our investments in LNG entities; and
- \$11 million loss from foreign currency derivatives in 2020 used to hedge exposure to fluctuations in the Peruvian sol and Chilean peso related to the sales of our South American businesses; **offset by**
- \$13 million lower settlement charges from one of our nonqualified pension plans.

The increase in losses of \$145 million in the first six months of 2020 was primarily due to:

- \$100 million equity losses from our investment in RBS Sempra Commodities to settle pending tax matters and related legal costs, which we discuss in Note 11 of the Notes to Condensed Consolidated Financial Statements;
- \$2 million net investment losses in 2020 compared to \$24 million net investment gains in 2019 on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation obligations; and

- \$16 million income tax expense in 2020 compared to a \$6 million income tax benefit in 2019 primarily due to:
 - \$11 million consolidated California state income tax expense in 2020 associated with income from our investments in LNG entities,
 - \$10 million income tax benefit in 2019 to reduce a valuation allowance against certain NOL carryforwards as a result of our decision to sell our South American businesses, and
 - \$8 million increase in valuation allowance against certain foreign tax credits, *offset by*
 - \$10 million income tax benefit in 2020 compared to \$3 million income tax expense in 2019 related to share-based compensation.

Discontinued Operations

Discontinued operations that were previously in our Sempra South American Utilities segment include our former 100% interest in Chilquinta Energía in Chile, our former 83.6% interest in Luz del Sur in Peru and our former interests in two energy-services companies, Tecnoed and Tecsur, which provide electric construction and infrastructure services to Chilquinta Energía and Luz del Sur, respectively, as well as third parties. Discontinued operations also include activities, mainly income taxes related to the South American businesses, that were previously included in the holding company of the South American businesses at Parent and other.

As we discuss in Note 5 of the Notes to Condensed Consolidated Financial Statements, we completed the sales of our South American businesses in the second quarter of 2020. On April 24, 2020, we sold our equity interests in our Peruvian businesses, including our 83.6% interest in Luz del Sur and its interest in Tecsur, for cash proceeds of \$3,549 million, net of transaction costs and as adjusted for post-closing adjustments, and on June 24, 2020, we sold our equity interests in our Chilean businesses, including our 100% interest in Chilquinta Energía and Tecnoed and our 50% interest in Eletrans, for cash proceeds of \$2,232 million, net of transaction costs and subject to post-closing adjustments.

Earnings from our discontinued operations increased by \$1,705 million to \$1,775 million in the three months ended June 30, 2020 primarily due to:

- \$1,499 million gain on the sale of our Peruvian businesses; and
- \$255 million gain on the sale of our Chilean businesses, subject to post-closing adjustments; **offset by**
- \$50 million lower operational earnings mainly as a result of the sale of our Peruvian businesses in April 2020.

Earnings from our discontinued operations increased by \$1,828 million to \$1,847 million in the first six months of 2020 primarily due to:

- \$1,499 million gain on the sale of our Peruvian businesses;
- \$255 million gain on the sale of our Chilean businesses, subject to post-closing adjustments; and
- tax impacts resulting from changes in outside basis differences at our South American businesses, including:
 - \$103 million income tax expense in 2019 related to outside basis differences existing as of the January 25, 2019 approval of our plan to sell our South American businesses, and
 - \$7 million income tax benefit in 2020 compared to \$20 million income tax expense in 2019 related to changes in outside basis differences from earnings and foreign currency effects since January 25, 2019; **offset by**
- \$54 million lower operational earnings mainly as a result of the sale of our Peruvian businesses in April 2020.

SIGNIFICANT CHANGES IN REVENUES, COSTS AND EARNINGS

This section contains a discussion of the differences between periods in the specific line items of the Condensed Consolidated Statements of Operations for Sempra Energy, SDG&E and SoCalGas.

Utilities Revenues

Our utilities revenues include natural gas revenues at our California Utilities and Sempra Mexico's Ecogas and electric revenues at SDG&E. Intercompany revenues included in the separate revenues of each utility are eliminated in the Sempra Energy Condensed Consolidated Statements of Operations.

SoCalGas and SDG&E currently operate under a regulatory framework that permits:

- The cost of natural gas purchased for core customers (primarily residential and small commercial and industrial customers) to be passed through to customers in rates substantially as incurred. However, SoCalGas' GCIM provides SoCalGas the opportunity to share in the savings and/or costs from buying natural gas for its core customers at prices below or above monthly market-based benchmarks. This mechanism permits full recovery of costs incurred when average purchase costs are within a price range around

the benchmark price. Any higher costs incurred or savings realized outside this range are shared between the core customers and SoCalGas. We provide further discussion in Note 3 of the Notes to Consolidated Financial Statements and in “Item 1. Business – Ratemaking Mechanisms” in the Annual Report.

- SDG&E to recover the actual cost incurred to generate or procure electricity based on annual estimates of the cost of electricity supplied to customers. The differences in cost between estimates and actual are recovered or refunded in subsequent periods through rates.
- The California Utilities to recover certain program expenditures and other costs authorized by the CPUC, or “refundable programs.”

Because changes in SoCalGas’ and SDG&E’s cost of natural gas and/or electricity are recovered in rates, changes in these costs are offset in the changes in revenues, and therefore do not impact earnings. In addition to the changes in cost or market prices, natural gas or electric revenues recorded during a period are impacted by customer billing cycles causing a difference between customer billings and recorded or authorized costs. These differences are required to be balanced over time, resulting in over- and undercollected regulatory balancing accounts. We discuss balancing accounts and their effects further in Note 4 of the Notes to Condensed Consolidated Financial Statements in this report and in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report.

The California Utilities’ revenues are decoupled from, or not tied to, actual sales volumes. SoCalGas recognizes annual authorized revenue for core natural gas customers using seasonal factors established in the Triennial Cost Allocation Proceeding. Accordingly, a significant portion of SoCalGas’ annual earnings are recognized in the first and fourth quarters of each year. SDG&E’s authorized revenue recognition is also impacted by seasonal factors, resulting in higher earnings in the third quarter when electric loads are typically higher than in the other three quarters of the year. We discuss this decoupling mechanism and its effects further in Note 3 of the Notes to Consolidated Financial Statements in the Annual Report.

The table below summarizes revenues and cost of sales for our consolidated utilities.

UTILITIES REVENUES AND COST OF SALES

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Natural gas revenues:				
SoCalGas	\$ 1,010	\$ 806	\$ 2,405	\$ 2,167
SDG&E	145	121	364	326
Sempra Mexico	10	15	30	42
Eliminations and adjustments	(22)	(19)	(39)	(36)
Total	1,143	923	2,760	2,499
Electric revenues:				
SDG&E	1,090	973	2,140	1,913
Eliminations and adjustments	—	(1)	(2)	(2)
Total	1,090	972	2,138	1,911
Total utilities revenues	\$ 2,233	\$ 1,895	\$ 4,898	\$ 4,410
Cost of natural gas⁽¹⁾:				
SoCalGas	\$ 106	\$ 104	\$ 384	\$ 559
SDG&E	31	34	91	113
Sempra Mexico	3	3	6	8
Eliminations and adjustments	(9)	(5)	(13)	(13)
Total	\$ 131	\$ 136	\$ 468	\$ 667
Cost of electric fuel and purchased power⁽¹⁾:				
SDG&E	\$ 260	\$ 265	\$ 491	\$ 523
Eliminations and adjustments	—	(2)	(2)	(4)
Total	\$ 260	\$ 263	\$ 489	\$ 519

⁽¹⁾ Excludes depreciation and amortization, which are presented separately on the Sempra Energy, SDG&E and SoCalGas Condensed Consolidated Statements of Operations.

Natural Gas Revenues and Cost of Natural Gas

The table below summarizes the average cost of natural gas sold by the California Utilities and included in Cost of Natural Gas. The average cost of natural gas sold at each utility is impacted by market prices, as well as transportation, tariff and other charges.

CALIFORNIA UTILITIES AVERAGE COST OF NATURAL GAS

(Dollars per thousand cubic feet)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
SoCalGas	\$ 1.81	\$ 1.65	\$ 2.29	\$ 3.09
SDG&E	3.10	3.36	3.51	4.12

In the three months ended June 30, 2020, our natural gas revenues increased by \$220 million (24%) to \$1.1 billion primarily due to:

- \$204 million increase at SoCalGas, which included:
 - \$132 million higher CPUC-authorized revenues, including \$65 million lower revenues in 2019 due to the delay in the issuance of the 2019 GRC FD, and
 - \$84 million increase due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences, *offset by*
 - \$15 million lower net revenues from incremental capital projects; and
- \$24 million increase at SDG&E, which included:
 - \$18 million higher CPUC-authorized revenues, including \$15 million lower revenues in 2019 due to the delay in the issuance of the 2019 GRC FD, and
 - \$6 million increase due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences.

Our cost of natural gas in the three months ended June 30, 2020 was comparable to the same period in 2019.

In the first six months of 2020, our natural gas revenues increased by \$261 million (10%) to \$2.8 billion primarily due to:

- \$238 million increase at SoCalGas, which included:
 - \$313 million higher CPUC-authorized revenues, including \$181 million lower revenues in 2019 due to the delay in the issuance of the 2019 GRC FD,
 - \$84 million increase due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences, and
 - \$36 million higher recovery of costs associated with CPUC-authorized refundable programs, which revenues are offset in O&M, *offset by*
 - \$175 million decrease in cost of natural gas sold, which we discuss below, and
 - \$25 million lower net revenues from incremental capital projects; and
- \$38 million increase at SDG&E, which included:
 - \$47 million higher CPUC-authorized revenues, including \$38 million lower revenues in 2019 due to the delay in the issuance of the 2019 GRC FD, and
 - \$6 million increase due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences, *offset by*
 - \$22 million decrease in cost of natural gas sold, which we discuss below.

In the first six months of 2020, our cost of natural gas decreased by \$199 million (30%) to \$468 million primarily due to:

- \$175 million decrease at SoCalGas due to \$135 million from lower average natural gas prices and \$40 million from lower volumes driven primarily by weather; and
- \$22 million decrease at SDG&E due to lower average natural gas prices and lower volumes driven primarily by weather.

Electric Revenues and Cost of Electric Fuel and Purchased Power

In the three months ended June 30, 2020, our electric revenues, substantially all of which are at SDG&E, increased by \$118 million (12%) to \$1.1 billion, including:

- \$77 million increase due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences;

- \$56 million higher recovery of costs associated with CPUC-authorized refundable programs, which revenues are offset in O&M; and
- \$16 million higher revenues from transmission operations; **offset by**
- \$15 million expected to be refunded to customers related to the Energy Efficiency Program inquiry.

In the three months ended June 30, 2020, our utility cost of electric fuel and purchased power, substantially all of which is at SDG&E, was consistent with the same period in 2019.

In the first six months of 2020, our electric revenues, substantially all of which are at SDG&E, increased by \$227 million (12%) to \$2.1 billion, including:

- \$111 million higher recovery of costs associated with CPUC-authorized refundable programs, which revenues are offset in O&M;
- \$83 million higher revenues from transmission operations, including an increase in authorized ROE and the following impacts related to the March 2020 FERC-approved TO5 settlement:
 - \$26 million to settle a rate base matter, and
 - \$12 million favorable impact from the retroactive application of the final TO5 settlement for 2019;
- \$77 million increase due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences; and
- \$18 million higher CPUC-authorized revenues, including \$4 million lower revenues in 2019 due to the delay in the issuance of the 2019 GRC FD; **offset by**
- \$32 million lower cost of electric fuel and purchased power, which we discuss below; and
- \$15 million expected to be refunded to customers related to the Energy Efficiency Program inquiry.

Our utility cost of electric fuel and purchased power, substantially all of which is at SDG&E, decreased by \$30 million (6%) to \$489 million in the first six months of 2020 primarily due to a decrease in residential demand as a result of weather and an increase in rooftop solar adoption.

Energy-Related Businesses: Revenues and Cost of Sales

The table below shows revenues and cost of sales for our energy-related businesses.

ENERGY-RELATED BUSINESSES: REVENUES AND COST OF SALES

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
REVENUES				
Sempra Mexico	\$ 265	\$ 303	\$ 554	\$ 659
Sempra Renewables	—	3	—	10
Sempra LNG	69	86	192	227
Parent and other ⁽¹⁾	(41)	(57)	(89)	(178)
Total revenues	\$ 293	\$ 335	\$ 657	\$ 718
COST OF SALES⁽²⁾				
Sempra Mexico	\$ 44	\$ 64	\$ 113	\$ 185
Sempra LNG	44	54	83	157
Parent and other ⁽¹⁾	(37)	(55)	(86)	(171)
Total cost of sales	\$ 51	\$ 63	\$ 110	\$ 171

⁽¹⁾ Includes eliminations of intercompany activity.

⁽²⁾ Excludes depreciation and amortization, which are presented separately on the Sempra Energy Condensed Consolidated Statements of Operations.

In the three months ended June 30, 2020, revenues from our energy-related businesses decreased by \$42 million (13%) to \$293 million primarily due to:

- \$38 million decrease at Sempra Mexico primarily due to:
 - \$12 million lower revenues primarily from force majeure payments that ended in August 2019 with respect to the Guaymas-El Oro segment of the Sonora pipeline,
 - \$10 million from the marketing business primarily as a result of lower natural gas prices and volumes, and

- \$9 million lower revenues at TdM primarily due to lower volumes and natural gas prices; and
- \$17 million decrease at Sempra LNG primarily due to lower natural gas sales to Sempra Mexico as a result of lower natural gas prices and volumes, lower diversion fees mainly due to lower natural gas prices and lower revenues from the expiration of capacity release contracts in the fourth quarter of 2019; **offset by**
- \$16 million increase primarily from lower intercompany eliminations associated with sales between Sempra LNG and Sempra Mexico.

In the three months ended June 30, 2020, the cost of sales for our energy-related businesses decreased by \$12 million (19%) to \$51 million primarily due to:

- \$20 million decrease at Sempra Mexico primarily due to lower gas imbalances and volumes at the marketing business and lower natural gas prices and volumes at TdM; and
- \$10 million decrease at Sempra LNG mainly from natural gas marketing activities primarily from lower natural gas purchases; **offset by**
- \$18 million increase primarily from lower intercompany eliminations associated with sales between Sempra LNG and Sempra Mexico.

In the first six months of 2020, revenues from our energy-related businesses decreased by \$61 million (8%) to \$657 million primarily due to:

- \$105 million decrease at Sempra Mexico primarily due to:
 - \$59 million from the marketing business primarily due to lower natural gas prices and volumes,
 - \$35 million lower revenues at TdM primarily due to lower volumes and natural gas prices, and
 - \$22 million lower revenues primarily from force majeure payments that ended in August 2019 with respect to the Guaymas-El Oro segment of the Sonora pipeline; and
- \$35 million decrease at Sempra LNG primarily due to:
 - \$70 million lower natural gas sales to Sempra Mexico primarily due to lower natural gas prices and volumes, and lower diversion fees mainly due to lower natural gas prices, and
 - \$10 million lower revenues from the expiration of capacity release contracts in the fourth quarter of 2019, *offset by*
 - \$45 million increase from natural gas marketing operations primarily due to changes in natural gas prices; **offset by**
- \$89 million increase primarily from lower intercompany eliminations associated with sales between Sempra LNG and Sempra Mexico.

In the first six months of 2020, the cost of sales for our energy-related businesses decreased by \$61 million (36%) to \$110 million primarily due to:

- \$74 million decrease at Sempra LNG mainly from natural gas marketing activities primarily due to lower natural gas purchases; and
- \$72 million decrease at Sempra Mexico mainly associated with lower revenues from the marketing business and TdM as a result of lower natural gas prices and volumes; **offset by**
- \$85 million increase primarily from lower intercompany eliminations associated with sales between Sempra LNG and Sempra Mexico.

Operation and Maintenance

Our O&M increased by \$60 million (7%) to \$898 million in the three months ended June 30, 2020 primarily due to:

- \$50 million increase at SDG&E primarily due to:
 - \$57 million higher expenses associated with CPUC-authorized refundable programs for which costs incurred are recovered in revenue, *offset by*
 - \$6 million lower non-refundable operating costs, including liability insurance premium costs for 2019 that were not balanced due to the delay in the 2019 GRC FD; and
- \$8 million increase at SoCalGas primarily due to higher non-refundable operating costs.

In the first six months of 2020, O&M increased by \$179 million (11%) to \$1.8 billion primarily due to:

- \$141 million increase at SoCalGas primarily due to:
 - \$100 million from impacts associated with Aliso Canyon natural gas storage facility litigation,
 - \$36 million higher expenses associated with CPUC-authorized refundable programs for which costs incurred are recovered in revenue, and
 - \$5 million higher non-refundable operating costs; and
- \$74 million increase at SDG&E primarily due to:
 - \$114 million higher expenses associated with CPUC-authorized refundable programs, *offset by*
 - \$37 million lower non-refundable operating costs, including liability insurance premium costs for 2019 that were not balanced due to the delay in the 2019 GRC FD; **offset by**
- \$22 million decrease at Parent and other primarily from lower deferred compensation expense; and
- \$18 million decrease at Sempra Renewables primarily due to lower general and administrative and other costs due to the wind-down of the business in 2019.

Gain on Sale of Assets

In April 2019, Sempra Renewables recognized a \$61 million gain on the sale of its remaining wind assets and investments to AEP, as we discuss in Note 5 of the Notes to Condensed Consolidated Financial Statements.

Other Income (Expense), Net

As part of our central risk management function, we enter into foreign currency derivatives to hedge Sempra Mexico parent's exposure to movements in the Mexican peso from its controlling interest in IEnova. The gains/losses associated with these derivatives are included in Other Income (Expense), Net, as described below, and partially mitigate the transactional effects of foreign currency and inflation included in Income Tax (Expense) Benefit for Sempra Mexico's consolidated entities and in Equity Earnings for Sempra Mexico's equity method investments. We also utilized foreign currency derivatives to hedge exposure to fluctuations in the Peruvian sol and Chilean peso related to the sales of our operations in Peru and Chile, respectively. We discuss policies governing our risk management in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the Annual Report.

Other income, net, increased by \$34 million to \$62 million in the three months ended June 30, 2020 primarily due to:

- \$19 million higher investment gains in 2020 on dedicated assets in support of our executive retirement and deferred compensation plans;
- \$8 million higher AFUDC equity;
- \$8 million increase in regulatory interest at the California Utilities due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences;
- \$7 million lower non-service component of net periodic benefit cost in 2020, including \$18 million lower settlement charges in 2020 for lump sum payments from one of our nonqualified pension plans; and
- \$3 million higher net gains in 2020 from interest rate and foreign exchange instruments and foreign currency transactions primarily due to:
 - \$7 million higher gains in 2020 on foreign currency derivatives as a result of fluctuation of the Mexican peso, and
 - \$7 million higher foreign currency gains in 2020 on a Mexican peso-denominated loan to IMG JV, which is offset in Equity Earnings, *offset by*
 - \$14 million net losses in 2020 of foreign currency derivatives used to hedge exposure to fluctuations in the Peruvian sol and Chilean peso related to the sales of our South American businesses.

Other expense, net, in the first six months of 2020 was \$192 million compared to other income, net, of \$110 million in the same period in 2019. The change was primarily due to:

- \$258 million net losses in 2020 from interest rate and foreign exchange instruments and foreign currency transactions compared to net gains of \$35 million for the same period in 2019 primarily due to:
 - \$135 million foreign currency losses in 2020 compared to \$17 million foreign currency gains in 2019 on a Mexican peso-denominated loan to IMG JV, which is offset in Equity Earnings, and
 - \$109 million losses in 2020 compared to \$19 million gains in 2019 on foreign currency derivatives as a result of fluctuation of the Mexican peso; and
- \$7 million investment losses in 2020 compared to \$37 million investment gains in 2019 on dedicated assets in support of our executive retirement and deferred compensation plans; **offset by**
- \$18 million higher AFUDC equity, including \$13 million at SDG&E;

- \$3 million non-service component of net periodic benefit credit in 2020 compared to a \$6 million benefit cost in 2019, including \$13 million lower settlement charges in 2020 for lump sum payments from one of our nonqualified pension plans;
- \$8 million increase in regulatory interest at the California Utilities due to the release of a regulatory liability in 2020 related to 2016-2018 income tax expense forecasting differences; and
- \$8 million in penalties in 2019 related to the SoCalGas billing practices OII.

Income Taxes

The table below shows the income tax expense (benefit) and ETRs for Sempra Energy Consolidated, SDG&E and SoCalGas.

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
INCOME TAX EXPENSE (BENEFIT) AND EFFECTIVE INCOME TAX RATES				
<i>(Dollars in millions)</i>				
Sempra Energy Consolidated:				
Income tax expense (benefit) from continuing operations	\$ 168	\$ 47	\$ (39)	\$ 89
Income from continuing operations before income taxes and equity earnings	\$ 463	\$ 286	\$ 860	\$ 787
Equity earnings, before income tax ⁽¹⁾	84	2	41	7
Pretax income	\$ 547	\$ 288	\$ 901	\$ 794
Effective income tax rate	31%	16 %	(4)%	11%
SDG&E:				
Income tax expense	\$ 70	\$ 35	\$ 128	\$ 40
Income before income taxes	\$ 263	\$ 181	\$ 583	\$ 363
Effective income tax rate	27%	19 %	22 %	11%
SoCalGas:				
Income tax expense (benefit)	\$ 49	\$ (4)	\$ 101	\$ 15
Income before income taxes	\$ 196	\$ 27	\$ 551	\$ 310
Effective income tax rate	25%	(15)%	18 %	5%

⁽¹⁾ We discuss how we recognize equity earnings in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

Sempra Energy Consolidated

The increase in income tax expense in the three months ended June 30, 2020 was due to higher pretax income and a higher ETR. The change in ETR was primarily due to:

- lower forecasted flow-through items at our California Utilities as a percentage of consolidated pretax income;
- \$14 million higher income tax expense in 2020 from foreign currency and inflation effects primarily as a result of fluctuation of the Mexican peso; and
- \$8 million income tax expense in 2020 from an increase in valuation allowance against certain foreign tax credits.

Income tax benefit in the first six months of 2020 compared to an income tax expense in the same period in 2019 was due to a lower ETR offset by higher pretax income. The change in ETR was primarily due to:

- \$278 million income tax benefit in 2020 compared to \$39 million income tax expense in 2019 from foreign currency and inflation effects primarily as a result of fluctuation of the Mexican peso; and
- \$19 million income tax benefit in 2020 compared to \$5 million income tax expense in 2019 related to share-based compensation; **offset by**
- \$69 million total income tax benefits in 2019 from the release of regulatory liabilities at SDG&E and SoCalGas established in connection with 2017 tax reform for excess deferred income tax balances that the CPUC directed be allocated to shareholders in a January 2019 decision; and
- \$10 million income tax benefit in 2019 from a reduction in a valuation allowance against certain NOL carryforwards as a result of our decision to sell our South American businesses.

We discuss the impact of foreign currency exchange rates and inflation on income taxes below in “Impact of Foreign Currency and Inflation Rates on Results of Operations.” See Note 1 of the Notes to Condensed Consolidated Financial Statements in this report and Notes 1 and 8 of the Notes to Consolidated Financial Statements in the Annual Report for further details about our accounting for income taxes and items subject to flow-through treatment.

SDG&E

The increase in SDG&E's income tax expense in the three months ended June 30, 2020 was due to higher pretax income and a higher ETR. The change in ETR was primarily due to lower forecasted flow-through items as a percentage of pretax income.

The increase in SDG&E's income tax expense in the first six months of 2020 was due to higher pretax income and a higher ETR. The change in ETR was primarily due to \$31 million income tax benefit in 2019 from the release of a regulatory liability established in connection with 2017 tax reform for excess deferred income tax balances that the CPUC directed be allocated to shareholders in a January 2019 decision.

SoCalGas

SoCalGas' income tax expense in the three months ended June 30, 2020 compared to an income tax benefit in the same period in 2019 was due to higher pretax income and a higher ETR. The change in ETR was primarily due to lower forecasted flow-through items as a percentage of pretax income.

The increase in SoCalGas' income tax expense in the first six months of 2020 was due to higher pretax income and a higher ETR. The change in ETR was primarily due to \$38 million income tax benefit in 2019 from the release of a regulatory liability established in connection with 2017 tax reform for excess deferred income tax balances that the CPUC directed be allocated to shareholders in a January 2019 decision.

Equity Earnings

In the three months ended June 30, 2020, equity earnings increased by \$115 million to \$233 million primarily due to:

- \$84 million higher equity earnings at Cameron LNG JV primarily due to Train 1 and Train 2 commencing commercial operations under their tolling agreements in August 2019 and February 2020, respectively; and
- \$31 million higher equity earnings at Oncor Holdings primarily due to the acquisition of InfraREIT in May 2019 and higher revenues, offset by higher operating costs.

In the first six months of 2020, equity earnings increased by \$277 million to \$496 million primarily due to:

- \$173 million higher equity earnings at IMG JV, primarily due to foreign currency effects, including \$135 million foreign currency gains in 2020 compared to \$17 million foreign currency losses in 2019 on IMG JV's Mexican peso-denominated loans from its JV owners, which is fully offset in Other Income (Expense), Net, and from the start of commercial operations of the Sur de Texas-Tuxpan marine pipeline;
- \$139 million higher equity earnings at Cameron LNG JV primarily due to Train 1 and Train 2 commencing commercial operations;
- \$43 million higher equity earnings at Oncor Holdings primarily due to the acquisition of InfraREIT in May 2019 and higher revenues, offset by higher operating costs; and
- \$22 million higher equity earnings at TAG JV primarily due to higher income tax benefits in 2020; **offset by**
- \$100 million equity losses at RBS Sempra Commodities in 2020, which represents an estimate of our obligations to settle pending tax matters and related legal costs at our equity method investment.

Earnings Attributable to Noncontrolling Interests

In the three months and six months ended June 30, 2020, earnings attributable to NCI decreased by \$17 million (38%) to \$28 million and increased by \$93 million to \$179 million, respectively. The change in the first six months of 2020 was primarily due to an increase in earnings attributable to NCI at Sempra Mexico primarily from foreign currency effects as a result of fluctuation of the Mexico peso in the first quarter of 2020.

IMPACT OF FOREIGN CURRENCY AND INFLATION RATES ON RESULTS OF OPERATIONS

Because operations in South America and our natural gas distribution utility in Mexico use their local currency as their functional currency, revenues and expenses are translated into U.S. dollars at average exchange rates for the period for consolidation in Sempra Energy Consolidated's results of operations. We discuss further the impact of foreign currency and inflation rates on results of operations, including impacts on income taxes and related hedging activity, in "Item 7. MD&A – Impact of Foreign Currency and Inflation Rates on Results of Operations" in the Annual Report.

Foreign Currency Translation

Any difference in average exchange rates used for the translation of income statement activity from year to year can cause a variance in Sempra Energy Consolidated's comparative results of operations. In the three months and six months ended June 30, 2020 compared to the prior-year periods, the change in our earnings as a result of foreign currency translation was not material.

Transactional Impacts

Income statement activities at our foreign operations and their JVs are also impacted by transactional gains and losses, a summary of which is shown in the table below:

TRANSACTIONAL GAINS (LOSSES) FROM FOREIGN CURRENCY AND INFLATION

(Dollars in millions)

	Total reported amounts		Transactional gains (losses) included in reported amounts	
	Three months ended June 30,			
	2020	2019	2020	2019
Other income (expense), net	\$ 62	\$ 28	\$ 18	\$ 15
Income tax (expense) benefit	(168)	(47)	(30)	(16)
Equity earnings	233	118	(17)	(10)
Income from continuing operations, net of income tax	528	357	(30)	(13)
Income from discontinued operations, net of income tax	1,777	78	(1)	1
Earnings attributable to common shares	2,239	354	(21)	(5)
	Six months ended June 30,			
	2020	2019	2020	2019
Other income (expense), net	\$ (192)	\$ 110	\$ (258)	\$ 35
Income tax (expense) benefit	39	(89)	278	(39)
Equity earnings	496	219	164	(22)
Income from continuing operations, net of income tax	1,395	917	212	(31)
Income from discontinued operations, net of income tax	1,857	36	15	1
Earnings attributable to common shares	2,999	795	129	(15)

CAPITAL RESOURCES AND LIQUIDITY

OVERVIEW

Sempra Energy Consolidated

The COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. President Donald Trump officially declared a national emergency on March 13, 2020. The COVID-19 pandemic is having a significant impact on the economy and people's livelihoods, including substantial volatility in financial markets and a historic surge in unemployment claims while businesses implement procedures to promote social distancing, and has resulted in sweeping action by governments and other authorities to help address these effects. The following describes some of these government actions and their current and anticipated impact on our businesses:

- On March 4, 2020, Governor Gavin Newsom proclaimed a State of Emergency in California as a result of the threat of COVID-19, and on March 19, 2020, the Governor imposed a California-wide shelter-in-place directive via an Executive Order. The Governor's Executive Order required all individuals living in California to stay home or at their place of residence except as needed to maintain the continuity of 16 critical infrastructure sectors. Our businesses that invest in, develop and operate energy infrastructure and provide electric and gas services to customers in California have been identified as critical infrastructure under the Executive Order. On May 4, 2020, the Governor issued a separate Executive Order allowing the gradual reopening of designated businesses, establishments and activities based on modifications and guidance provided under a May 7, 2020 Public Health Order. However, on July 13, 2020, the Governor issued an order to shut down non-essential, indoor activities in certain business sectors due to a sharp rise in the number of COVID-19 cases. Our businesses are not directly impacted by this order.
- On March 17, 2020, the CPUC announced that, retroactive to March 4, 2020, all energy companies under its jurisdiction, including the California Utilities, should take action to implement several emergency customer protection measures to support California customers. The measures apply to all residential and small business customers affected by the COVID-19 pandemic and include suspending service disconnections due to nonpayment, waiving late payment fees, and offering flexible payment plans for all customers experiencing difficulty paying their electric or gas bills. Similarly, on March 26, 2020, the PUCT issued orders that require retail electric providers to offer a deferred payment plan to customers, upon request, and authorized customer assistance programs for certain residential customers of electric service. The continuation of these circumstances could result in a material reduction in payments received from our customers and a material increase in uncollectible accounts that we may not be able to recover in rates, which could have a material adverse effect on the cash flows, financial condition and results of operations for Sempra Energy, SDG&E and SoCalGas.
- On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted and signed into law in response to the COVID-19 pandemic. The CARES Act contains significant business tax provisions, including a delay of payment of employer payroll taxes and an acceleration of refunds of corporate alternative minimum tax (AMT) credits. Sempra Energy, SDG&E and SoCalGas expect to benefit from deferring payment of the employer's share of payroll taxes through the end of 2020, with half of such taxes to be paid by the end of 2021 and the other half to be paid by the end of 2022. Sempra Energy has filed a refund claim for its corporate AMT credits and expects to receive approximately \$56 million in 2020 rather than in installments through 2021.
- On March 30, 2020, the Mexican government announced a national state of sanitary emergency, suspending all non-essential activities and urging people in Mexico to stay at home until April 30, 2020, which was subsequently extended to May 30, 2020. Essential business activities that may continue to operate during the health emergency include the conservation, maintenance and repair of critical infrastructure that ensures the production and distribution of electric and gas services. On June 1, 2020, the Mexican government began phasing in non-essential economic activities in some states and municipalities.
- On April 16, 2020, the CPUC approved a resolution authorizing each of the California Utilities to establish a CPPMA to track and request recovery of incremental costs associated with complying with measures implemented by the CPUC related to the COVID-19 pandemic, including costs associated with suspending service disconnections and uncollectible expenses that arise from residential and small business customers' failure to pay. Although we are tracking these costs, CPUC approval is required to collect all or any portion of the balance of the CPPMA, which is not assured. The CPUC also authorized each of the California Utilities to establish a two-way balancing account to record the uncollectible expenses associated with residential customers' inability to pay their electric or gas bills. We discuss the CPPMA and balancing account in Note 4 of the Notes to Condensed Consolidated Financial Statements. Similarly, the PUCT has provided for the use of a regulatory asset accounting mechanism and a subsequent process through which regulated utility companies may seek future recovery of expenses resulting from the effects of the COVID-19 pandemic, as well as the creation of a COVID-19 Electricity Relief Program fund through which transmission and distribution utilities and retail electric providers in Texas may seek to recover a reasonable portion of the cost of providing uninterrupted services to customers facing financial hardship due to the effects of the COVID-19 pandemic. There can be no assurance, however, that our Texas utilities will be able to recover any of the costs they incur from their response to the COVID-19 pandemic through these programs or otherwise. The failure of the California Utilities or our Texas utilities to recover these costs could have a material adverse effect on the cash flows, results of operations and financial condition of Sempra Energy, SDG&E and SoCalGas.

In addition, we and other companies, including our partners, are taking steps to try to protect the health and well-being of our employees and other stakeholders. As our businesses continue to operate, our priority is the safety of our employees, customers, partners and the communities we serve. For example, we have activated our business continuity plans and continue to work closely with local, state and federal authorities to provide essential services with minimum interruption to customers and in accordance with applicable shelter-in-place and other orders. We have implemented precautionary measures across our businesses, including requiring employees to work remotely when possible, restricting non-essential business travel, increasing facility sanitization and communicating proper health and safety protocols to employees. Additionally, SDG&E postponed all noncritical planned outages through May 31, 2020, while continuing with those related to public safety, emergencies and wildfire mitigation, to try to protect employees and maintain service to customers as seamlessly as possible. We also have engaged an infectious disease expert to advise us during this public health crisis. Through the end of the second quarter of 2020, these actions

have not required significant outlays of capital and have not had a material impact on our results of operations, but these or other measures that we may implement in the future could have a material adverse effect on our liquidity, cash flows, financial position and results of operations if circumstances related to the COVID-19 pandemic worsen or continue for an extended period of time.

The COVID-19 pandemic and its widespread effects may also impact our capital plans, liquidity and asset values. For example:

- We have experienced, and expect to continue to experience, delays in our capital projects and planned expenditures due to the COVID-19 pandemic, either because we decided to postpone certain activities in an effort to preserve cash or other resources or for other reasons related to the pandemic that are beyond our control. Such delays, and any additional delays to the affected projects or any of our other projects, could have a material adverse effect on our capital plans and results of operations. We discuss these delays in further detail with respect to each of our segments below.
- The volatility in the financial markets impacted commercial paper markets that we typically access for working capital and other liquidity requirements. See the discussion in “Liquidity” below for more information.
- We have significant investments in several trusts to provide for future payments of pensions and other postretirement benefits and nuclear decommissioning. Although all of our trust funds’ investments are diversified and managed in compliance with applicable laws and regulations, the value of the investments in these trusts declined significantly in the second half of the first quarter of 2020 due to a decline in the equity markets and volatility in the fixed income market triggered by the COVID-19 pandemic. In the second quarter of 2020, these asset values began to recover; though, these markets continue to be volatile. The decrease in asset values has not affected the funds’ ability to make their required payments; however, this could change if conditions worsen or continue for an extended period. Moreover, if asset values do not recover, our funding requirements for pension and other postretirement benefit plans in 2021 may increase. Other factors may also impact funding requirements for pension and other postretirement benefit plans, including changes to discount rates, assumed rates of return, mortality tables and regulations. Funding requirements for SDG&E’s NDT could be impacted by the value of the assets as well as the timing and amount of SONGS decommissioning costs. At the California Utilities, funding requirements are generally recoverable in rates. We discuss our employee benefit plans and SDG&E’s NDT, including our investment allocation strategies for assets in these trusts, in Notes 9 and 15, respectively, of the Notes to Consolidated Financial Statements in the Annual Report.
- We perform recovery testing of our recorded asset values when market conditions indicate that such values may not be recoverable. Given the current environment (including the decline in the price of our common stock, financial market volatility, record-high unemployment rates, potential reduction in customer collections, inability to secure permits and other authorizations due to government closures, and governments pursuing new laws or policies that modify pre-existing contract terms or alter operations), we considered whether these events or changes in circumstances triggered the need for an interim impairment analysis for our long-lived assets, intangible assets and goodwill. We determined that, given the nominal impact on our cash flows, assessment of the impact of these conditions on our businesses and existing headroom in our prior quantitative tests for goodwill, there was no triggering event as of June 30, 2020. However, as the effects of the COVID-19 pandemic continue to evolve, we will continue to assess the need to perform an interim impairment test. To the extent the recorded (carrying) value is in excess of the fair value, we would record an impairment charge. A significant impairment charge related to our long-lived assets, intangible assets or goodwill would have a material adverse effect on our results of operations in the period in which it is recorded.

For a further discussion of risks and uncertainties related to the COVID-19 pandemic, see below in “Item 1A. Risk Factors.”

Liquidity

We expect to meet our cash requirements through cash flows from operations, unrestricted cash and cash equivalents, proceeds from recent asset and equity sales, borrowings under our credit facilities, distributions from our equity method investments, issuances of debt, project financing and partnering in JVs. We believe that these cash flow sources, combined with available funds, will be adequate to fund our current operations, including to:

- finance capital expenditures
- meet liquidity requirements
- fund dividends
- fund new business or asset acquisitions or start-ups
- fund capital contribution requirements
- repay maturing long-term debt
- fund expenditures related to the natural gas leak at SoCalGas’ Aliso Canyon natural gas storage facility

Sempra Energy and the California Utilities currently have reasonable access to the long-term debt markets and are not currently constrained in any significant way in their ability to borrow money at reasonable rates from commercial banks, under existing revolving credit facilities or through public offerings registered with the SEC. There have been, however, disruptions caused by the COVID-19 pandemic in the commercial paper markets in the first half of 2020, which have historically been a primary source

of working capital for Sempra Energy and the California Utilities. In addition, the capital markets in general and the availability of financing from commercial banks have experienced distress due to the COVID-19 pandemic, and our ability to access the capital markets or obtain credit from commercial banks outside of our committed revolving credit facilities could become materially constrained, especially if these conditions worsen or continue for an extended period. In addition, our financing activities and actions by credit rating agencies, as well as many other factors, could negatively affect the availability and cost of both short-term and long-term financing. Also, cash flows from operations may be impacted by the timing of commencement and completion, and potentially cost overruns, of large projects. If cash flows from operations were to be significantly reduced or we were unable to borrow under acceptable terms, we would likely first reduce or postpone discretionary capital expenditures (not related to safety) and investments in new businesses. We monitor our ability to finance the needs of our operating, investing and financing activities in a manner consistent with our intention to maintain our investment-grade credit ratings and capital structure.

Available Funds

Our committed lines of credit provide liquidity and support commercial paper. As we discuss in Note 7 of the Notes to Condensed Consolidated Financial Statements, Sempra Energy, Sempra Global, SDG&E and SoCalGas each have five-year credit agreements expiring in 2024. In addition, Sempra Mexico has general-purpose credit facilities that expire in 2021 and 2024. The table below shows the amount of available funds at June 30, 2020, including available unused credit on these primary U.S. and foreign lines of credit.

AVAILABLE FUNDS AT JUNE 30, 2020

(Dollars in millions)

	Sempra Energy Consolidated	SDG&E	SoCalGas
Unrestricted cash and cash equivalents ⁽¹⁾	\$ 4,894	\$ 192	\$ 330
Available unused credit ⁽²⁾	6,921	1,500	750

⁽¹⁾ Amounts at Sempra Energy Consolidated include \$592 million held in non-U.S. jurisdictions. We discuss repatriation in Note 1 of the Notes to Condensed Consolidated Financial Statements.

⁽²⁾ Available unused credit is the total available on Sempra Energy's, Sempra Global's, SDG&E's, SoCalGas' and Sempra Mexico's credit facilities that we discuss in Note 7 of the Notes to Condensed Consolidated Financial Statements.

Short-Term Borrowings

We use short-term debt primarily to meet liquidity requirements, fund shareholder dividends, and temporarily finance capital expenditures, acquisitions or start-ups. Our California Utilities use short-term debt primarily to meet working capital needs. Revolving lines of credit, term loans and commercial paper were our primary sources of short-term debt funding in the first six months of 2020. Due to volatility in commercial paper markets in the first half of 2020 caused by the COVID-19 pandemic, commercial paper borrowing became less desirable and, in some cases, not competitive or unavailable. To secure sufficient sources of liquidity, Sempra Energy, Sempra Global, SDG&E, SoCalGas and IEnova each drew amounts under their respective credit facilities in the first quarter of 2020. Additionally, Sempra Energy and SDG&E each obtained 364-day term loans with aggregate principal amounts of \$1.6 billion and \$200 million, respectively.

Sempra Energy and Sempra Global fully repaid their lines of credit and commercial paper borrowings in the second quarter of 2020 with a portion of the proceeds received from Sempra Energy's \$1.6 billion term loan and a portion of the proceeds received from the sales of our South American businesses. SDG&E fully repaid its line of credit borrowings in the second quarter of 2020 with a portion of the \$400 million of proceeds received from its issuance of first mortgage bonds maturing in 2050. SoCalGas fully repaid its line of credit borrowings with cash on hand in the first quarter of 2020. IEnova repaid a portion of its borrowings on its lines of credit in the second quarter of 2020 with proceeds received from issuances of long-term debt. At June 30, 2020, \$1.5 billion remains outstanding on IEnova's committed lines of credit. We discuss our debt activities in Note 7 of the Notes to Condensed Consolidated Financial Statements.

Sempra Energy Series C Preferred Stock Offering

On June 19, 2020, we issued 900,000 shares of our series C preferred stock in a registered public offering at a price to the public of \$1,000 per share and received net proceeds of approximately \$889 million after deducting the underwriting discount and equity issuance costs of \$11 million. We intend to use the net proceeds for working capital and other general corporate purposes, which may include repayment of indebtedness. We provide additional discussion about this equity offering in Note 1 of the Notes to Condensed Consolidated Financial Statements.

Sempra Energy Common Stock Repurchase Programs

As we discuss in Note 1 of the Notes to Condensed Consolidated Financial Statements, on July 1, 2020, we entered into an accelerated share repurchase program under which we prepaid \$500 million to repurchase shares of our common stock in a share forward transaction. The program was completed on August 4, 2020 with an aggregate of 4,089,375 shares of Sempra Energy common stock repurchased at a valuation amount of \$122.27 per share. We funded the \$500 million share repurchase with a portion of the proceeds received from the sale of our South American businesses.

Credit Ratings

We provide additional information about the credit ratings of Sempra Energy, SDG&E and SoCalGas in “Item 1A. Risk Factors” and “Item 2. MD&A – Capital Resources and Liquidity” in the Annual Report.

The credit ratings of Sempra Energy, SDG&E and SoCalGas remained at investment grade levels during the first six months of 2020. On May 29, 2020, Moody’s downgraded SoCalGas’ senior unsecured credit rating to A2 with a stable outlook. On June 9, 2020, Moody’s downgraded Sempra Energy’s senior unsecured and issuer credit ratings to Baa2 with a stable outlook.

CREDIT RATINGS AT JUNE 30, 2020

	Sempra Energy	SDG&E	SoCalGas
Moody’s	Baa2 with a stable outlook	Baa1 with a positive outlook	A2 with a stable outlook
S&P	BBB+ with a negative outlook	BBB+ with a stable outlook	A with a negative outlook
Fitch	BBB+ with a stable outlook	BBB+ with a stable outlook	A with a stable outlook

Our credit ratings may affect the rates at which borrowings bear interest and the commitment fees on available unused credit. A downgrade of Sempra Energy’s or any of its subsidiaries’ credit ratings or rating outlooks may result in a requirement for collateral to be posted in the case of certain financing arrangements and may materially and adversely affect the market prices of their equity and debt securities, the rates at which borrowings are made and commercial paper is issued, and the various fees on their outstanding credit facilities. This could make it more costly for Sempra Energy, SDG&E, SoCalGas and Sempra Energy’s other subsidiaries to issue debt securities, to borrow under credit facilities and to raise certain other types of financing.

Sempra Energy has agreed that, if the credit rating of Oncor’s senior secured debt by any of the three major rating agencies falls below BBB (or the equivalent), Oncor will suspend dividends and other distributions (except for contractual tax payments), unless otherwise allowed by the PUCT. Oncor’s senior secured debt was rated A2, A+ and A at Moody’s, S&P and Fitch, respectively, at June 30, 2020.

Loans to/from Affiliates

At June 30, 2020, Sempra Energy had \$628 million in loans due from unconsolidated affiliates and \$267 million in loans due to unconsolidated affiliates.

California Utilities

SDG&E’s and SoCalGas’ operations have historically provided relatively stable earnings and liquidity. Their future performance will depend primarily on the ratemaking and regulatory process, environmental regulations, economic conditions, actions by the California legislature and the changing energy marketplace, as well as the other matters described in this report and the Annual Report.

SDG&E and SoCalGas expect that the available unused credit from their credit facilities described above, cash flows from operations, and debt issuances will continue to be adequate to fund their respective current operations and planned capital expenditures. The California Utilities are continuing to monitor the impacts of the COVID-19 pandemic on cash flows and results of operations. Some customers will likely experience diminished ability to pay their electric or gas bills, leading to slower payments and higher levels of nonpayment than has been the case historically. These impacts could be significant and could require modifications to our financing plans. The California Utilities manage their capital structure and pay dividends when appropriate and as approved by their respective boards of directors.

As we discuss in Note 4 of the Notes to Condensed Consolidated Financial Statements in this report and in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report, changes in balancing accounts for significant costs at SDG&E and SoCalGas, particularly a change between over- and undercollected status, including commodity and transportation balancing accounts, may have a significant impact on cash flows. These changes generally represent the difference between when costs are incurred and when they are ultimately recovered in rates through billings to customers.

SDG&E

Wildfire Fund

In 2019, SDG&E recorded a Wildfire Fund asset for committed shareholder contributions to the Wildfire Fund. We describe the Wildfire Legislation and related accounting treatment in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

SDG&E is exposed to the risk that the participating California electric IOUs may incur third-party wildfire claims for which they will seek recovery from the Wildfire Fund. In such a situation, SDG&E may recognize a reduction of its Wildfire Fund asset and record a charge against earnings in the period when there is a reduction of the available coverage due to recoverable claims from any of the participating IOUs. As a result, if any California electric IOU's equipment is determined to be a cause of a fire, it could have a material adverse effect on SDG&E's and Sempra Energy's financial condition and results of operations up to the carrying value of our Wildfire Fund asset. In addition, the Wildfire Fund could be completely exhausted due to fires in the other California electric IOUs' service territories, by fires in SDG&E's service territory or by a combination thereof. In the event that the Wildfire Fund is materially diminished, exhausted or terminated, SDG&E will lose the protection afforded by the Wildfire Fund, and as a consequence, a fire in SDG&E's service territory could cause a material adverse effect on SDG&E's and Sempra Energy's cash flows, results of operations and financial condition.

SoCalGas

SoCalGas' performance will depend on the resolution of legal, regulatory and other matters concerning the Leak at the Aliso Canyon natural gas storage facility, which we discuss further in Note 11 of the Notes to Condensed Consolidated Financial Statements in this report, and in "Item 1A. Risk Factors" in the Annual Report.

Aliso Canyon Natural Gas Storage Facility Gas Leak

From October 23, 2015, through February 11, 2016, SoCalGas experienced a natural gas leak from one of the injection-and-withdrawal wells, SS25, at its Aliso Canyon natural gas storage facility located in Los Angeles County. In February 2016, CalGEM confirmed that the well was permanently sealed.

Cost Estimates, Accounting Impact and Insurance. At June 30, 2020, SoCalGas estimates certain costs related to the Leak are \$1,411 million (the cost estimate). This cost estimate may increase significantly as more information becomes available. A substantial portion of the cost estimate has been paid, and \$256 million is accrued as Reserve for Aliso Canyon Costs and \$7 million is accrued in Deferred Credits and Other as of June 30, 2020 on SoCalGas' and Sempra Energy's Condensed Consolidated Balance Sheets.

Except for the amounts paid or estimated to settle certain actions, the cost estimate does not include all litigation or regulatory costs to the extent it is not possible to predict at this time the outcome of these actions or reasonably estimate the costs to defend or resolve the actions or the amount of damages, restitution, or civil, administrative or criminal fines, sanctions, penalties or other costs or remedies that may be imposed or incurred. The cost estimate also does not include certain other costs incurred by Sempra Energy associated with defending against shareholder derivative lawsuits and other potential costs that we currently do not anticipate incurring or that we cannot reasonably estimate. These costs not included in the cost estimate could be significant and could have a material adverse effect on SoCalGas' and Sempra Energy's cash flows, financial condition and results of operations.

We have received insurance payments for many of the costs included in the cost estimate, including temporary relocation and associated processing costs, control-of-well expenses, costs of the government-ordered response to the Leak, certain legal costs and lost gas. We intend to pursue the full extent of our insurance coverage for the costs we have incurred. Other than directors' and officers' liability insurance, after taking into consideration the additional accrual related to litigation matters described in Note 11 of the Notes to Condensed Consolidated Financial Statements, we have exhausted all of our insurance in this matter, except as to certain defense costs we may incur in the future, including those related to the shareholder derivative lawsuits. We continue to pursue other sources of insurance coverage for costs related to this matter, but we may not be successful in obtaining additional insurance recovery for any of these costs. If we are not able to secure additional insurance recovery for all or a substantial portion of these costs, if any costs we have recorded as an insurance receivable are not collected, if there are delays in receiving insurance recoveries, or if the insurance recoveries are subject to income taxes while the associated costs are not tax deductible, such amounts, which could be significant, could have a material adverse effect on SoCalGas' and Sempra Energy's cash flows, financial condition and results of operations.

As of June 30, 2020, we recorded the expected recovery of the cost estimate related to the Leak of \$505 million as Insurance Receivable for Aliso Canyon Costs on SoCalGas' and Sempra Energy's Condensed Consolidated Balance Sheets. This amount is

exclusive of insurance retentions and \$772 million of insurance proceeds we received through June 30, 2020. If we were to conclude that this receivable or a portion of it is no longer probable of recovery from insurers, some or all of this receivable would be charged against earnings, which could have a material adverse effect on SoCalGas' and Sempra Energy's cash flows, financial condition and results of operations.

Natural Gas Storage Operations and Reliability. Natural gas withdrawn from storage is important for service reliability during peak demand periods, including peak electric generation needs in the summer and heating needs in the winter. The Aliso Canyon natural gas storage facility is the largest SoCalGas storage facility and an important element of SoCalGas' delivery system. As a result of the Leak, SoCalGas suspended injection of natural gas into the Aliso Canyon natural gas storage facility beginning in October 2015 and, following a comprehensive safety review and authorization by CalGEM and the CPUC's Executive Director, resumed limited injection operations in July 2017.

During the suspension period, SoCalGas advised the California ISO, California Energy Commission, CPUC and Pipeline and Hazardous Materials Safety Administration of its concerns that the inability to inject natural gas into the Aliso Canyon natural gas storage facility posed a risk to energy reliability in Southern California. The CPUC has issued a series of directives to SoCalGas specifying the range of working gas to be maintained in the Aliso Canyon natural gas storage facility as well as protocols for the withdrawal of gas, to help ensure safe and reliable natural gas service, while helping to maintain stable energy prices in Southern California. Limited withdrawals of natural gas from the facility were made in 2018, 2019 and 2020 to augment natural gas supplies during critical demand periods.

In February 2017, the CPUC opened a proceeding pursuant to SB 380 to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility. If the Aliso Canyon natural gas storage facility were to be permanently closed, or if future cash flows from its operation were otherwise insufficient to recover its carrying value, it could result in an impairment of the facility and significantly higher than expected operating costs and/or additional capital expenditures, and natural gas reliability and electric generation could be jeopardized. At June 30, 2020, the Aliso Canyon natural gas storage facility had a net book value of \$775 million. Any significant impairment of this asset, or higher operating costs and additional capital expenditures incurred by SoCalGas that may not be recoverable in customer rates, could have a material adverse effect on SoCalGas' and Sempra Energy's results of operations, financial condition and cash flows.

Sempra Texas Utilities

Oncor's business is capital intensive, and it relies on external financing as a significant source of liquidity for its capital requirements. In the past, Oncor has financed a substantial portion of its cash needs from operations and with proceeds from indebtedness. In the event that Oncor fails to meet its capital requirements, we may be required to make additional capital contributions to Oncor, or if Oncor is unable to access sufficient capital to finance its ongoing needs, we may elect to make additional capital contributions to Oncor which could be substantial and which would reduce the cash available to us for other purposes, could increase our indebtedness and could ultimately materially adversely affect our results of operations, financial condition and prospects. In that regard, our commitments to the PUCT prohibit us from making loans to Oncor. As a result, if Oncor requires additional financing and cannot obtain it from other sources, we may elect to make a capital contribution to Oncor.

Oncor's ability to pay dividends may be limited by factors such as its credit ratings, regulatory capital requirements, debt-to-equity ratio approved by the PUCT and other restrictions. In addition, Oncor will not pay dividends if a majority of Oncor's independent directors or any minority member director determines it is in the best interests of Oncor to retain such amounts to meet expected future requirements.

Sempra Mexico

Sempra Mexico is currently building or developing terminals for the receipt, storage, and delivery of liquid fuels in the new port of Veracruz and vicinity of Mexico City, Puebla, Topolobampo, Manzanillo, and Ensenada. Sempra Mexico is also constructing new solar facilities in Juárez, Chihuahua, and Benjamin Hill, Sonora, through which it will supply renewable energy to several private companies. We expect to fund these capital expenditures and investments, operations and dividends at IEnova with available funds, including credit facilities, and funds internally generated by the Sempra Mexico businesses, as well as funds from project financing, sales of securities, interim funding from the parent or affiliates, and partnering in JVs. We expect the projects to commence commercial operations on various dates in 2020 and 2021. Expected commencement dates could be delayed by worsening or extended disruptions of project construction or development caused by the COVID-19 pandemic. Sempra Mexico is continuing to monitor the impacts of the COVID-19 pandemic on cash flows and results of operations. See "Item 1A. Risk Factors" below.

As we discuss in Note 11 of the Notes to Condensed Consolidated Financial Statements, IEnova received force majeure payments

for the Guaymas-El Oro segment of the Sonora pipeline from August 2017 to August 2019. Under an agreement between IEnova and the CFE, the CFE will resume making payments only when the damaged section of the Guaymas-El Oro segment of the Sonora pipeline is repaired. If the pipeline is not repaired by September 15, 2020 and the parties do not agree on a new service start date, IEnova retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits. If IEnova is unable to make such repairs (which have not commenced) and resume operations in the Guaymas-El Oro segment of the Sonora pipeline or if IEnova terminates the contract and is unable to obtain recovery, there may be a material adverse impact on Sempra Energy's results of operations and cash flows and our ability to recover the carrying value of our investment.

In May 2020, the two third-party capacity customers at the ECA LNG Regasification facility asserted that a 2019 update of the general terms and conditions for service at the facility, as approved by the CRE, resulted in a breach of contract by IEnova and a force majeure event. Citing these circumstances, the customers subsequently stopped making payments of amounts due under their respective LNG storage and regasification agreements. IEnova has rejected the customers' assertions and has drawn (and expects to continue to draw) on the customers' letters of credit provided as payment security. The parties engaged in discussions under the applicable contractual dispute resolution procedures without coming to a mutually acceptable resolution. On July 23, 2020, one of the customers, Shell México Gas Natural, S. de R.L. de C.V. (Shell Mexico), submitted a request for arbitration of the dispute. IEnova will avail itself of its available claims, defenses and remedies in the arbitration proceeding. Shell Mexico has also informed IEnova that it filed a constitutional challenge to the CRE's approval of the update to the general terms and conditions. IEnova is monitoring this proceeding.

As we discuss in Note 11 of the Notes to Condensed Consolidated Financial Statements, in the second quarter of 2020, certain Mexican governmental agencies issued orders and regulations that would reduce or limit the renewable energy sector's participation in the country's energy market. Those orders would, among other things, create barriers for renewable energy facilities to enter the wholesale electricity market, prevent renewable energy projects currently in construction from reaching operations and increase grid fees for legacy renewables and cogeneration energy contract holders. IEnova and other companies affected by such measures, certain non-governmental environmental organizations or advocacy groups, and COFECE, Mexico's antitrust regulator, have filed legal complaints with the respective Mexican courts to prevent such measures from going into effect. In most cases, the courts have sided with the complainants and such measures have been stayed temporarily. The court-ordered injunctions provide relief until Mexico's Federal District Court ultimately resolves the amparo claims (constitutional protection lawsuits) or, with respect to the SENER resolution, until Mexico's Supreme Court issues its final ruling on COFECE's complaint, the timing of which is uncertain. An unfavorable final decision on these amparo challenges, or the potential for an extended dispute, could impact our ability to successfully complete construction of our solar facilities, or to complete them in a timely manner and within expected budgets, may impact our ability to operate our wind and solar facilities already in service at existing levels or at all, and may adversely affect our ability to develop new projects, any of which may have a material adverse impact on our results of operations and cash flows and our ability to recover the carrying values of our renewable energy investments in Mexico.

The ability to successfully complete major construction projects is subject to a number of risks and uncertainties. For a discussion of these risks and uncertainties, see "Item 1A. Risk Factors" in the Annual Report.

IEnova Common Stock Repurchase Fund

In April 2020, IEnova's shareholders approved an increase to a previously approved fund for IEnova to repurchase shares of its common stock for a maximum amount of \$500 million, increased from \$250 million. As of August 3, 2020, IEnova has repurchased 20,918,982 shares of its outstanding common stock held by NCI for approximately \$63 million since the inception of the fund in 2018.

Sempra LNG

Sempra LNG owns a 50.2% interest in Cameron LNG JV and is currently developing additional LNG export facilities on the Gulf coast and Pacific coast of North America through its proposed Cameron LNG JV liquefaction expansion project, ECA LNG JV liquefaction export project in Mexico, and Port Arthur LNG liquefaction project in Texas. We expect Sempra LNG to require funding for the development and expansion of its portfolio of projects, which may be financed through a combination of operating cash flows, funding from the parent, project financing and participating in JVs, including ECA LNG JV with IEnova.

North American natural gas prices, when in decline, negatively affect profitability at Sempra LNG. Except for Phase 1 of the Cameron LNG JV liquefaction project, our LNG projects currently under development have been delayed and could face additional delays due to, among other reasons, the worldwide economic slowdown as a result of the COVID-19 pandemic and the current uncertainty in the global oil and gas markets, or a combination of these factors. For a discussion of these risks and other

risks involving changing commodity prices and the risk of completing LNG development projects, see “Item 1A. Risk Factors” in the Annual Report and in “Item 1A. Risk Factors” below.

Cameron LNG JV Three-Train Liquefaction Project (Phase 1)

Sempra LNG, through its interest in Cameron LNG JV, is constructing a three-train natural gas liquefaction export facility with an expected export capability of 12 Mtpa of LNG. Construction on the three-train liquefaction project began in the second half of 2014 under an EPC contract with a JV between CB&I, LLC (as assignee of CB&I Shaw Constructors, Inc.), a wholly owned subsidiary of McDermott International, Inc., and Chiyoda International Corporation, a wholly owned subsidiary of Chiyoda Corporation. The majority of the construction is project-financed at the JV, with most or all of the remainder of the capital requirements provided by the project partners, including Sempra Energy, through equity contributions under the project equity agreements. We expect that our remaining equity requirements to complete the project will be met by our share of cash generated from the first two liquefaction trains that have commenced operations. As of June 30, 2020, Sempra Energy had signed guarantees for 50.2% of Cameron LNG JV’s financing obligations for a maximum amount of up to \$4.0 billion. The guarantees will terminate upon satisfaction of certain conditions, including all three trains achieving financial completion by September 30, 2021 (with up to an additional 365-day extension beyond such date permitted in cases of force majeure). However, if Cameron LNG JV fails to satisfy the financial completion criteria, a demand could be made under the guarantee for Sempra Energy’s 50.2% share of Cameron LNG JV’s obligations under the financing arrangements then due and payable, which could have a material adverse impact on Sempra Energy’s liquidity.

Cameron LNG JV achieved commercial operations of Train 1 and Train 2 under its tolling agreements in August 2019 and February 2020, respectively. In July 2020, Train 3 reached substantial completion and we expect it to commence commercial operations in the coming days.

Large-scale construction projects such as the design, development and construction of the Cameron LNG JV liquefaction facility involve numerous risks and uncertainties, many of which continue to apply after completion, including among others, the potential for unforeseen design flaws, engineering challenges, equipment failures, severe weather events, global pandemics, and other operational issues, which could cause the facility to suspend operations or operate at a reduced capacity or could materially increase the facility’s operating costs.

For a discussion of our investment in Cameron LNG JV, JV financing, Sempra Energy guarantees, the risks discussed above and other risks relating to the development of the Cameron LNG JV liquefaction project that could adversely affect our future performance, see Note 6 of the Notes to Consolidated Financial Statements and “Item 1A. Risk Factors” in the Annual Report.

Sempra Energy Guarantee for an Affiliate of Cameron LNG JV. As we discuss in Note 6 of the Notes to Condensed Consolidated Financial Statements, in July 2020, Sempra Energy provided a \$753 million guarantee for a financing arrangement for an affiliate of Cameron LNG JV. The guarantee will terminate upon full repayment of the guaranteed debt, including repayment following an event in which the guaranteed debt is put to Sempra Energy.

Cameron LNG JV Liquefaction Expansion Project (Phase 2)

Cameron LNG JV has received the major permits and FTA and non-FTA approvals necessary to expand the current configuration of the Cameron LNG JV liquefaction project beyond Phase 1. The permits obtained for Phase 2 include up to two additional liquefaction trains and up to two additional full containment LNG storage tanks (one of which was permitted with the original three-train project).

Expansion of the Cameron LNG JV liquefaction facility beyond the first three trains is subject to certain restrictions and conditions under the JV project financing agreements, including among others, timing restrictions on expansion of the project unless appropriate prior consent is obtained from the project lenders. Under the Cameron LNG JV equity agreements, the expansion of the project requires the unanimous consent of all the partners, including with respect to the equity investment obligation of each partner. Discussions among all the Cameron LNG JV partners have been taking place regarding how an expansion may be structured and we expect that discussions will continue. There can be no assurance that the Cameron LNG JV members will unanimously agree on an expansion structure, which, if not accomplished in a timely manner, could materially and adversely impact the development of the expansion project. In light of this, we are unable to predict whether or when Cameron LNG JV might be able to move forward on expansion of the Cameron LNG JV liquefaction facility beyond the first three trains.

In November 2018, Sempra Energy and TOTAL S.A. entered into an MOU that provides a framework for cooperation for the development of the potential Cameron LNG JV expansion project and the potential ECA LNG JV liquefaction export project that we describe below. The MOU contemplates TOTAL S.A. potentially contracting for up to approximately 9 Mtpa of LNG offtake across these two development projects and provides TOTAL S.A. the option to acquire an equity interest in the proposed ECA LNG JV project. In addition, in October 2019, Sempra Energy and Mitsui & Co., Ltd. entered into an MOU that provides a

framework for potential offtake by Mitsui & Co., Ltd. from the potential Cameron LNG JV expansion project and the second phase of the potential ECA LNG JV project, as well as Mitsui & Co., Ltd.'s potential acquisition of an equity interest in the second phase of the potential ECA LNG JV project. In May 2020, Sempra Energy and Mitsubishi Corporation entered into an MOU that provides a framework for development of and potential offtake by Mitsubishi Corporation from the potential Cameron LNG JV expansion project. The ultimate participation of and offtake by TOTAL S.A., Mitsui & Co., Ltd. and Mitsubishi Corporation remains subject to negotiation and finalization of definitive agreements, among other factors, and TOTAL S.A., Mitsui & Co., Ltd. and Mitsubishi Corporation have no commitment to participate in or offtake from the projects.

The development of the potential Cameron LNG JV expansion project is subject to numerous other risks and uncertainties, including securing binding customer commitments; obtaining a number of permits and regulatory approvals; securing financing; negotiating and completing suitable commercial agreements, including a definitive EPC contract, equity acquisition and governance agreements; reaching a final investment decision; and other factors associated with this potential investment. For a discussion of these risks, see "Item 1A. Risk Factors" in the Annual Report.

ECA LNG JV Liquefaction Export Project

Through a JV agreement, Sempra LNG and IEnova are developing a proposed natural gas liquefaction project at IEnova's existing ECA LNG Regasification facility. The proposed liquefaction facility project, which is planned for development in two phases (a mid-scale project referred to as ECA LNG JV Phase 1 and a large-scale project referred to as ECA LNG JV Phase 2), is being developed to provide buyers with direct access to West Coast LNG supplies. The ECA LNG Regasification facility currently has long-term regasification contracts for 100% of the regasification facility's capacity through 2028, which historically have been profitable (however, see the discussion under "Sempra Mexico" above regarding ongoing disputes with the two third-party capacity customers at the ECA LNG Regasification facility), making the decisions on whether and how to pursue the ECA LNG JV Phase 2 liquefaction project dependent in part on whether the investment in a large-scale liquefaction facility would, over the long term, be more beneficial financially than continuing to supply regasification services under our existing contracts. We do not believe that the development of ECA LNG JV Phase 1 will disrupt operations at the ECA LNG Regasification facility.

In March 2019, ECA LNG JV received two authorizations from the DOE to export U.S.-produced natural gas to Mexico and to re-export LNG to non-FTA countries from its ECA LNG JV Phase 1 project, a one-train natural gas liquefaction export facility with a nameplate capacity of 3.25 Mtpa and initial offtake capacity of approximately 2.5 Mtpa, and its ECA LNG JV Phase 2 project, each of which is in development.

On February 27, 2020, we entered into an EPC contract with TechnipFMC for the engineering, procurement and construction of ECA LNG JV Phase 1. We have no obligation to move forward on the EPC contract, and we may release TechnipFMC to perform portions of the work pursuant to limited notices to proceed. We plan to fully release TechnipFMC to perform all of the work to construct ECA LNG JV Phase 1 only after we reach a final investment decision with respect to the project and after certain other conditions are met. The total price of the EPC contract for ECA LNG JV Phase 1 is estimated at approximately \$1.5 billion, which TechnipFMC has agreed to uphold until September 1, 2020, at which time the EPC contract, including the price, may be subject to renegotiation. We estimate that capital expenditures for ECA LNG JV Phase 1 will approximate \$2.0 billion, including capitalized interest and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ, perhaps substantially, from our estimates.

In April 2020, ECA LNG JV executed definitive 20-year LNG sale and purchase agreements with Mitsui & Co., Ltd. and an affiliate of TOTAL S.A. for approximately 0.8 Mtpa of LNG and 1.7 Mtpa of LNG, respectively. Each agreement remains subject to certain customary conditions of effectiveness, including our final investment decision for the project.

A final investment decision for ECA LNG JV Phase 1 is contingent on the receipt of an export permit from the Mexican government. Operations at certain relevant regulatory agencies in Mexico remain limited due to the COVID-19 pandemic, which has added to the uncertainty of the timing of the receipt of this permit and is contributing to a delay of our final investment decision.

The development of both the ECA LNG JV Phase 1 and ECA LNG JV Phase 2 projects is subject to numerous risks and uncertainties, including obtaining binding customer commitments for Phase 2; the receipt of a number of permits and regulatory approvals; obtaining financing; negotiating and completing suitable commercial agreements, including a definitive EPC contract for Phase 2, equity acquisition and governance agreements, LNG sales agreements and gas supply and transportation agreements; reaching a final investment decision; and other factors associated with this potential investment. In addition, as we discuss in Note 11 of the Notes to Condensed Consolidated Financial Statements, an unfavorable decision on certain property disputes or permit challenges, or an extended dispute with existing customers at the ECA LNG Regasification facility, could materially and adversely affect the development of these projects. For a discussion of these risks, see "Item 1A. Risk Factors" in the Annual Report.

Port Arthur LNG Liquefaction Project

Sempra LNG is developing a proposed natural gas liquefaction project on a greenfield site that it owns in the vicinity of Port Arthur, Texas, located along the Sabine-Neches waterway. Sempra LNG received authorizations from the DOE in August 2015 and May 2019 that collectively permit the LNG to be produced from the proposed Port Arthur LNG project to be exported to all current and future FTA and non-FTA countries.

In April 2019, the FERC approved the siting, construction and operation of the proposed Port Arthur LNG liquefaction facility, along with certain natural gas pipelines, including the Louisiana Connector and Texas Connector Pipelines, that could be used to supply feed gas to the liquefaction facility, assuming the project is completed.

On February 28, 2020, we entered into an EPC contract with Bechtel for the proposed Port Arthur LNG liquefaction project. The EPC contract contemplates the construction of two liquefaction trains with a nameplate capacity of approximately 13.5 Mtpa, two LNG storage tanks, a marine berth and associated loading facilities and related infrastructure necessary to provide liquefaction services. We have no obligation to move forward on the EPC contract, and we may release Bechtel to perform portions of the work pursuant to limited notices to proceed. We plan to fully release Bechtel to perform all of the work to construct the Port Arthur LNG liquefaction project only after we reach a final investment decision with respect to the project and after certain other conditions are met, including obtaining project financing. When the EPC contract was executed, the price was estimated to be approximately \$8.9 billion, depending on the timing of a full notice to proceed, which if not issued by October 15th, 2020 would require renegotiation of the EPC contract. Given expected delays, we are in discussions with Bechtel regarding changes to the project schedule and the EPC contract price. Any changes to the EPC contract will require the agreement of both parties, which cannot be assured.

In December 2018, Polish Oil & Gas Company (PGNiG) and Port Arthur LNG entered into a definitive 20-year agreement for the sale and purchase of 2 Mtpa of LNG per year from the Port Arthur LNG liquefaction project. Under the agreement, LNG purchases by PGNiG from Port Arthur LNG will be made on a free-on-board basis, with PGNiG responsible for shipping the LNG from the Port Arthur facility to the final destination. Port Arthur LNG will manage the gas pipeline transportation, liquefaction processing and cargo loading. The agreement is subject to certain conditions precedent, including Port Arthur LNG making a positive final investment decision within certain agreed timelines. The failure of these conditions precedent to be satisfied or waived within the agreed timelines could result in the termination of the agreement.

In May 2019, Aramco Services Company and Sempra LNG signed a Heads of Agreement for the negotiation of a definitive 20-year LNG sale and purchase agreement for 5 Mtpa of LNG offtake from the Port Arthur LNG liquefaction project. The Heads of Agreement also includes the negotiation of a 25% equity investment in the project. In January 2020, Aramco Services Company and Sempra LNG signed an Interim Project Participation Agreement, which sets forth certain mechanisms for the parties to work towards receipt of corporate approvals to enter into and proceed with the transaction, execution of the transaction agreements and the fulfillment or waiver of the conditions precedent contemplated by these agreements, making a final investment decision and other pre-final investment decision activities. The Heads of Agreement and Interim Project Participation Agreement do not obligate the parties to ultimately execute any agreements or participate in the project.

In November 2019, Port Arthur LNG commenced the relocation and upgrade of approximately three miles of highway where the Port Arthur LNG liquefaction project would be located.

In February 2020, Sempra LNG filed a FERC application for the siting, construction and operation of a second phase at the proposed Port Arthur LNG facility, including the potential addition of two liquefaction trains.

We continue to work on completing all necessary milestones so that we are prepared to make a final investment decision for the proposed Port Arthur LNG liquefaction project when appropriate. The impact of the COVID-19 pandemic on the global economy and the current uncertainty in the energy and financial markets has delayed the expected timing of our final investment decision from 2020 to 2021.

Development of the Port Arthur LNG liquefaction project is subject to a number of risks and uncertainties, including obtaining additional customer commitments; completing the required commercial agreements, such as equity acquisitions and governance agreements, LNG sales agreements and gas supply and transportation agreements; completing construction contracts; securing all necessary permits and approvals; obtaining financing and incentives; reaching a final investment decision; and other factors associated with the potential investment. For a discussion of these risks, see "Item 1A. Risk Factors" in the Annual Report.

Discontinued Operations

As we discuss in Note 5 of the Notes to Condensed Consolidated Financial Statements, in January 2019, our board of directors approved a plan to sell our South American businesses. On April 24, 2020, we completed the sale of our equity interests in our Peruvian businesses for cash proceeds of \$3,549 million, net of transaction costs and as adjusted for post-closing adjustments. On June 24, 2020, we completed the sale of our equity interests in our Chilean businesses for cash proceeds of \$2,232 million, net of transaction costs and subject to post-closing adjustments.

Our utilities in South America have historically provided relatively stable earnings and liquidity. We intend to use the proceeds from the sales to focus on capital investment in North America to support additional growth opportunities and strengthen our balance sheet by reducing debt and repurchasing our common stock. We expect the cash provided by earnings from our capital investment will exceed the absence of cash flows from these discontinued operations. However, there can be no assurance that we will derive these anticipated benefits. Further, there can be no assurance that we will be able to redeploy the capital that we obtained from such sales in a way that results in cash flows or earnings exceeding those historically generated by these businesses.

SOURCES AND USES OF CASH

The following tables include only significant changes in cash flow activities for each of our registrants.

CASH FLOWS FROM OPERATING ACTIVITIES

(Dollars in millions)

Six months ended June 30,	Sempra Energy Consolidated	SDG&E	SoCalGas
2020	\$ 1,027	\$ 738	\$ 1,198
2019	1,704	620	674
Change	\$ (677)	\$ 118	\$ 524
Net increase in Insurance Receivable for Aliso Canyon Costs primarily due to \$165 higher accruals and \$81 lower insurance proceeds received	\$ (246)		\$ (246)
Release of a regulatory liability related to 2016-2018 income tax expense forecasting differences	(175)	\$ (86)	(89)
Deferred revenue due to the TCJA at the California Utilities in 2019	(77)	(39)	(38)
Increase in prepaid wildfire insurance premiums	(74)	(74)	
Change in intercompany activities with discontinued operations, net, primarily due to \$74 in common dividends received from our Peruvian businesses in 2019	(64)		
Change in income taxes receivable/payable, net		138	115
Higher distributions of earnings from Oncor Holdings	38		
Distribution of earnings from Cameron LNG JV in 2020	74		
Net margin posted at Sempra LNG's marketing operations	89		
Change in net undercollected regulatory balancing accounts (including long-term amounts in regulatory assets)	142		154
Net increase in Reserve for Aliso Canyon Costs primarily due to \$268 higher accruals and \$84 lower payments	352		352
Higher net income, adjusted for noncash items included in earnings	425	200	240
Other	61	(21)	36
Change in net cash flows from discontinued operations primarily due to \$1,159 income taxes paid related to the sale of our South American businesses	(1,222)		
	\$ (677)	\$ 118	\$ 524

CASH FLOWS FROM INVESTING ACTIVITIES*(Dollars in millions)*

Six months ended June 30,	Sempra Energy Consolidated	SDG&E	SoCalGas
2020	\$ 2,854	\$ (842)	\$ (885)
2019	(2,267)	(708)	(751)
Change	\$ 5,121	\$ (134)	\$ (134)
Contributions to Oncor Holdings to fund Oncor's purchase of InfraREIT in May 2019	\$ 1,067		
Acquisition of investment in Sharyland Holdings in May 2019	102		
Net proceeds from the February 2019 sale of Sempra LNG's non-utility natural gas storage assets	(322)		
Increase in capital expenditures	(547)	\$ (142)	\$ (226)
Net proceeds from the April 2019 sale of Sempra Renewables' wind assets and investments	(569)		
Increase in loans to affiliate, net, in 2019			94
Other	64	8	(2)
Change in net cash flows from discontinued operations mainly due to \$5,797 proceeds, net of transaction costs paid, offset by \$502 cash sold from the sale of our South American businesses	5,326		
	\$ 5,121	\$ (134)	\$ (134)

CASH FLOWS FROM FINANCING ACTIVITIES*(Dollars in millions)*

Six months ended June 30,	Sempra Energy Consolidated	SDG&E	SoCalGas
2020	\$ 842	\$ 286	\$ 7
2019	611	85	87
Change	\$ 231	\$ 201	\$ (80)
Higher issuances of short-term debt with maturities greater than 90 days	\$ 1,153		
Net proceeds from issuance of series C preferred stock	891		
Higher issuances of long-term debt	276	\$ 399	\$ 300
Higher common dividends paid	(84)	(200)	
Higher payments for commercial paper and other short-term debt with maturities greater than 90 days	(391)		
Higher payments on long-term debt and finance leases	(708)	(193)	
Change in short-term debt, net	(1,427)	193	(374)
Other	37	2	(6)
Change in net cash flows from discontinued operations primarily from a \$250 intercompany loan and \$170 net increase in short-term debt in 2020 and \$74 in common dividends paid from Peruvian business in 2019	484		
	\$ 231	\$ 201	\$ (80)

Capital Expenditures, Investments and Acquisitions

EXPENDITURES FOR PP&E, INVESTMENTS AND ACQUISITIONS

(Dollars in millions)

	Six months ended June 30,	
	2020	2019
SDG&E	\$ 850	\$ 708
SoCalGas	885	659
Sempra Texas Utilities	139	1,282
Sempra Mexico	321	242
Sempra Renewables	—	2
Sempra LNG	137	146
Parent and other	6	3
Total	\$ 2,338	\$ 3,042

The amounts and timing of capital expenditures and certain investments are generally subject to approvals by various regulatory and other governmental and environmental bodies, including the CPUC, the FERC and the PUCT. Excluding discontinued operations, in 2020, we expect to make capital expenditures and investments of approximately \$5.4 billion, a decrease from the \$5.9 billion projected in “Item 7. MD&A – Capital Resources and Liquidity” in the Annual Report. The decrease is primarily attributable to a deferral of capital expenditures to 2021 at Sempra Mexico and a delay in our final investment decision for Phase 1 of the ECA LNG JV liquefaction export project at Sempra LNG, which we discuss above.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We view certain accounting policies as critical because their application is the most relevant, judgmental, and/or material to our financial position and results of operations, and/or because they require the use of material judgments and estimates. We discuss these accounting policies in “Item 7. MD&A” in the Annual Report.

We describe our significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report. We follow the same accounting policies for interim reporting purposes.

NEW ACCOUNTING STANDARDS

We discuss the relevant pronouncements that have recently been issued or become effective and have had or may have an impact on our financial statements and/or disclosures in Note 2 of the Notes to Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We provide disclosure regarding derivative activity in Note 8 of the Notes to Condensed Consolidated Financial Statements. We discuss our market risk and risk policies in detail in “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in the Annual Report.

COMMODITY PRICE RISK

In the first half of 2020, there were no significant changes in our exposure to commodity price risk.

INTEREST RATE RISK

The table below shows the nominal amount of our debt:

NOMINAL AMOUNT OF DEBT⁽¹⁾

(Dollars in millions)

	June 30, 2020			December 31, 2019		
	Sempra Energy Consolidated	SDG&E	SoCalGas	Sempra Energy Consolidated	SDG&E	SoCalGas
Short-term:						
California Utilities	\$ —	\$ —	\$ —	\$ 710	\$ 80	\$ 630
Other	3,144	—	—	2,798	—	—
Long-term:						
California Utilities fixed-rate	\$ 9,982	\$ 5,523	\$ 4,459	\$ 8,949	\$ 5,140	\$ 3,809
California Utilities variable-rate	200	200	—	—	—	—
Other fixed-rate	10,812	—	—	11,561	—	—
Other variable-rate	734	—	—	746	—	—

⁽¹⁾ After the effects of interest rate swaps. Before the effects of acquisition-related fair value adjustments and reductions for unamortized discount and debt issuance costs, and excluding finance lease obligations.

An interest rate risk sensitivity analysis measures interest rate risk by calculating the estimated changes in earnings that would result from a hypothetical change in market interest rates. Earnings are affected by changes in interest rates on short-term debt and variable long-term debt. If weighted-average interest rates on short-term debt outstanding at June 30, 2020 increased or decreased by 10%, the change in earnings over the next 12-month period ended June 30, 2021 would be approximately \$3 million. If interest rates increased or decreased by 10% on all variable-rate long-term debt at June 30, 2020, after considering the effects of interest rate swaps, the change in earnings over the next 12-month period ended June 30, 2021 would be approximately \$1 million.

FOREIGN CURRENCY AND INFLATION RATE RISK

We discuss our foreign currency and inflation exposure in “Item 2. MD&A – Impact of Foreign Currency and Inflation Rates on Results of Operations” in this report and in “Item 7. MD&A – Impact of Foreign Currency and Inflation Rates on Results of Operations” in the Annual Report. We completed the sales of our South American businesses in the second quarter of 2020 and are no longer exposed to changes in foreign currency and inflation rates in Peru and Chile. At June 30, 2020, there were no other significant changes to our exposure to foreign currency rate risk since December 31, 2019.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Sempra Energy, SDG&E and SoCalGas maintain disclosure controls and procedures designed to ensure that information required to be disclosed in their respective reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to the management of each company, including each respective principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. In designing and evaluating these controls and procedures, the management of each company recognizes that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives; therefore, the management of each company applies judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of the principal executive officers and principal financial officers of Sempra Energy, SDG&E and SoCalGas, each such company’s management evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of June 30, 2020, the end of the period covered by this report. Based on these evaluations, the principal executive officers and principal financial officers of Sempra Energy, SDG&E and SoCalGas concluded that their respective company’s disclosure controls and procedures were effective at the reasonable assurance level as of such date.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in Sempra Energy's, SDG&E's or SoCalGas' internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the companies' internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not party to, and our property is not the subject of, any material pending legal proceedings (other than ordinary routine litigation incidental to our businesses) except for the matters (1) described in Notes 10 and 11 of the Notes to Condensed Consolidated Financial Statements in this report and in Notes 15 and 16 of the Notes to Consolidated Financial Statements in the Annual Report, or (2) referred to in "Item 7. MD&A" in the Annual Report.

ITEM 1A. RISK FACTORS

When evaluating our company and its subsidiaries, you should consider carefully the risk factors and all other information contained in this report, including the factors discussed above in “Item 2. MD&A” and in this section, and in the other documents we file with the SEC, including the factors disclosed in “Item 1A. Risk Factors” in the Annual Report. Except as set forth below, there have been no material changes from the risk factors as previously disclosed in the Annual Report. Any of the risk factors and other information discussed in this report or any of the risk factors disclosed in “Item 1A. Risk Factors” in the Annual Report, as well as additional risks and uncertainties not currently known to us or that we currently deem to be immaterial, could materially and adversely affect our businesses, cash flows, results of operations, financial condition, prospects and/or the trading prices of our securities or those of our subsidiaries.

Risks Related to All Sempra Energy Businesses

Our business faces risks related to the COVID-19 pandemic.

The COVID-19 pandemic is currently materially impacting communities, supply chains and markets around the world. The U.S. economy is experiencing a significant slowdown and claims for unemployment have increased to historic levels. To date, the COVID-19 pandemic has not had a material impact on our results of operations. However, we are conducting business with substantial modifications to employee travel, employee work locations, and virtualization or cancellation of certain business activities, among other modifications. If these or other similar measures were to increase or continue for an extended period, we could experience employee absenteeism, decreased efficiency and productivity by our workforce and other similar impacts that could jeopardize our ability to sustain operations and satisfy compliance requirements. We also have observed other companies, including our current and prospective counterparties, customers and partners, as well as many governments, including our regulators and other governing bodies that affect our businesses, taking precautionary, preemptive and responsive actions to address the effects of the COVID-19 pandemic, and they may take further actions that alter their normal operations. These actions by third parties could impact our operations, results, liquidity and ability to pursue capital projects and strategic initiatives. For example, the CPUC has requested that all energy companies under its jurisdiction take action to implement several emergency customer protection measures to support California customers. The measures apply to all residential and small business customers affected by the COVID-19 pandemic and include suspending service disconnections due to nonpayment, waiving late payment fees, and offering flexible payment plans for customers experiencing difficulty paying their electric or gas bills. These actions could result in a material reduction in payments received from our customers and a material increase in uncollectible accounts that we may not be able to recover in rates, which could have a material adverse effect on the cash flows, financial condition and results of operations for Sempra Energy, SDG&E and SoCalGas. As another example, our final investment decision on Phase 1 of the proposed ECA LNG JV natural gas liquefaction project has been delayed due in part to the closure of non-essential activities in Mexico in response to the COVID-19 pandemic, which has further hindered our ability to obtain an export permit from the Mexican government that is necessary for the project to proceed. If this or other projects under development are further delayed due to continuing or worsening conditions caused by the COVID-19 pandemic or other related factors, the performance and prospects of our LNG export business could be materially adversely affected.

In addition, the economic slowdown caused by the COVID-19 pandemic and the current uncertainty in the global oil and gas markets, or a combination of these factors, have contributed to the delay of our projected final investment decision on our proposed Port Arthur LNG liquefaction project from 2020 to 2021. These conditions, as well as potential disruptions of construction and development activity if our project counterparties implement or are required to implement stay-at-home or limited workforce measures in response to the pandemic, could result in substantial further delays of our LNG and other projects currently under development.

Further, the COVID-19 pandemic has adversely affected conditions in the capital markets and may adversely affect our cost of and access to capital, including from the capital markets generally, from commercial paper markets and from commercial banks. Although Sempra Energy, SDG&E and SoCalGas are not currently constrained in any significant way in their ability to borrow money at reasonable rates, these circumstances could change if conditions worsen or continue for an extended period, which could have a material negative effect on our results of operations and on our strategic initiatives and prospects. To date, the COVID-19 pandemic has resulted in a slowdown of our capital spending, which could worsen if conditions deteriorate or fail to improve in the near term and which could have a material adverse effect on Sempra Energy’s, SDG&E’s and SoCalGas’ results of operations and prospects.

We will continue to actively monitor the effects of the COVID-19 pandemic and may take further actions that alter our business operations as may be required by federal, state or local authorities, or that we determine are in the best interests of our employees, customers, partners and suppliers. However, we cannot at this time predict the extent to which the COVID-19 pandemic will further impact our liquidity, financial condition, results of operations and prospects.

ITEM 6. EXHIBITS

The exhibits listed below relate to each registrant as indicated. Unless otherwise indicated, the exhibits that are incorporated by reference herein were filed under File Number 1-14201 (Sempra Energy), File Number 1-40 (Pacific Lighting Corporation), File Number 1-03779 (San Diego Gas & Electric Company) and/or File Number 1-01402 (Southern California Gas Company).

Exhibit Number	Exhibit Description	Filed or Furnished Herewith	Incorporated by Reference		
			Form	Exhibit or Appendix	Filing Date
EXHIBIT 3 -- ARTICLES OF INCORPORATION AND BYLAWS					
<i>Sempra Energy</i>					
3.1	Amended and Restated Articles of Incorporation of Sempra Energy effective May 23, 2008.		10-K	3.1	02/27/20
3.2	Bylaws of Sempra Energy (as amended through April 14, 2020).		8-K	3.1	04/14/20
3.3	Certificate of Determination of Preferences of the 6% Mandatory Convertible Preferred Stock, Series A, of Sempra Energy (including the form of certificate representing the 6% Mandatory Convertible Preferred Stock, Series A), filed the Secretary of State of the State of California and effective January 5, 2018.		8-K	3.1	01/09/18
3.4	Certificate of Determination of Preferences of the 6.75% Mandatory Convertible Preferred Stock, Series B, of Sempra Energy (including the form of certificate representing the 6.75% Mandatory Convertible Preferred Stock, Series B) filed with the Secretary of State of the State of California and effective July 11, 2018.		8-K	3.1	07/13/18
3.5	Certificate of Determination of Preferences of 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C, of Sempra Energy (including the form of certificate representing the 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C), filed with the Secretary of State of the State of California and effective June 11, 2020.		8-K	3.1	06/15/20
<i>San Diego Gas & Electric Company</i>					
3.6	Amended and Restated Articles of Incorporation of San Diego Gas & Electric Company effective August 15, 2014.		10-K	3.4	02/26/15
3.7	Bylaws of San Diego Gas & Electric Company (as amended through October 26, 2016).		10-Q	3.1	11/02/16
<i>Southern California Gas Company</i>					
3.8	Restated Articles of Incorporation of Southern California Gas Company effective October 7, 1996.		10-K	3.01	03/28/97
3.9	Bylaws of Southern California Gas Company (as amended through January 30, 2017).		8-K	3.1	01/31/17
EXHIBIT 4 -- INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES					
<i>Sempra Energy</i>					
4.1	Certificate of Determination of Preferences of 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C, of Sempra Energy (including the form of certificate representing the 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C), filed with the Secretary of State of the State of California and effective June 11, 2020 (included as Exhibit 3.5 above).		8-K	3.1	06/15/20
EXHIBIT 10 -- MATERIAL CONTRACTS					
<i>Management Contract or Compensatory Plan, Contract or Arrangement</i>					
<i>Sempra Energy/San Diego Gas & Electric Company</i>					
10.1	Severance Pay Agreement between Sempra Energy and Caroline A. Winn, signed May 7, 2020 and effective as of January 1, 2020.	X			
<i>Sempra Energy/Southern California Gas Company</i>					
10.2	Severance Pay Agreement between Sempra Energy and Jimmie I. Cho, signed May 4, 2020 and effective as of January 1, 2020.	X			

Exhibit Number	Exhibit Description	Filed or Furnished Herewith
EXHIBIT 31 -- SECTION 302 CERTIFICATIONS		
<i>Sempra Energy</i>		
31.1	Certification of Sempra Energy's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
31.2	Certification of Sempra Energy's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
<i>San Diego Gas & Electric Company</i>		
31.3	Certification of San Diego Gas & Electric Company's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
31.4	Certification of San Diego Gas & Electric Company's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
<i>Southern California Gas Company</i>		
31.5	Certification of Southern California Gas Company's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
31.6	Certification of Southern California Gas Company's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
EXHIBIT 32 -- SECTION 906 CERTIFICATIONS		
<i>Sempra Energy</i>		
32.1	Certification of Sempra Energy's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.	X
32.2	Certification of Sempra Energy's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.	X
<i>San Diego Gas & Electric Company</i>		
32.3	Certification of San Diego Gas & Electric Company's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.	X
32.4	Certification of San Diego Gas & Electric Company's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.	X
<i>Southern California Gas Company</i>		
32.5	Certification of Southern California Gas Company's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.	X
32.6	Certification of Southern California Gas Company's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.	X
EXHIBIT 101 -- INTERACTIVE DATA FILE		
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X
EXHIBIT 104 -- COVER PAGE INTERACTIVE DATA FILE		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	

SIGNATURES

Sempra Energy:

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEMPRA ENERGY,
(Registrant)

Date: August 5, 2020

By: /s/ Peter R. Wall

Peter R. Wall
Senior Vice President, Controller and
Chief Accounting Officer (Duly Authorized Officer)

San Diego Gas & Electric Company:

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAN DIEGO GAS & ELECTRIC COMPANY,
(Registrant)

Date: August 5, 2020

By: /s/ Bruce A. Folkmann

Bruce A. Folkmann
President, Controller, Chief Financial Officer and Chief Accounting
Officer (Duly Authorized Officer)

Southern California Gas Company:

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN CALIFORNIA GAS COMPANY,
(Registrant)

Date: August 5, 2020

By: /s/ Mia L. DeMontigny

Mia L. DeMontigny
Vice President, Controller, Chief Financial Officer and Chief
Accounting Officer (Duly Authorized Officer)

**SEMPRA ENERGY
SEVERANCE PAY AGREEMENT**

THIS AGREEMENT (this “Agreement”), dated as of January 1, 2020 (the “Effective Date”), is made by and between SEMPRA ENERGY, a California corporation (“Sempra Energy”), and Caroline A. Winn (the “Executive”).

WHEREAS, the Executive is currently employed by Sempra Energy or another corporation or trade or business which is a member of a controlled group of corporations (within the meaning of Section 414(b) or (c) of the Code) of which Sempra Energy is a component member, determined by applying an ownership threshold of 50% rather than 80% (Sempra Energy and such other controlled group members, collectively, the “Company”);

WHEREAS, Sempra Energy and the Executive desire to enter into this Agreement; and

WHEREAS, the Board of Directors of Sempra Energy (the “Board”) or an authorized committee thereof has authorized this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, Sempra Energy and the Executive hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

“AAA” has the meaning assigned thereto in Section 13(c) hereof.

“Accounting Firm” has the meaning assigned thereto in Section 8(e) hereof.

“Accrued Obligations” means the sum of (a) the Executive’s Annual Base Salary through the Date of Termination to the extent not theretofore paid, (b) an amount equal to any annual Incentive Compensation Awards earned with respect to fiscal years ended prior to the year that includes the Date of Termination to the extent not theretofore paid, (c) any accrued and unpaid vacation, and (d) reimbursement for unreimbursed business expenses, if any, properly incurred by the Executive in the performance of his duties in accordance with Company policies applicable to the Executive from time to time, in each case to the extent not theretofore paid.

“Affiliate” has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act.

“Annual Base Salary” means the Executive’s annual base salary from the Company.

“Asset Purchaser” has the meaning assigned thereto in Section 16(e).

“Asset Sale” has the meaning assigned thereto in Section 16(e).

“Average Annual Bonus” means the average of the annual bonuses from the Company earned by the Executive with respect to the three (3) fiscal years of Sempra Energy ending immediately preceding the Date of Termination (the “Bonus Fiscal Years”); *provided, however*, that, if the Executive was employed by the Company for less than three (3) Bonus Fiscal Years, “Average Annual Bonus” means the average of the annual bonuses (if any) from the Company earned by the Executive with respect to the Bonus Fiscal Years during which the Executive was employed by the Company; and, *provided, further*, that, if the Executive was not employed by the Company during any of the Bonus Fiscal Years, “Average Annual Bonus” means zero (\$0).

“Cause” means:

(a) Prior to a Change in Control, (i) the willful failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness), (ii) the grossly negligent performance of such obligations referenced in clause (i) of this definition, (iii) the Executive’s gross insubordination; and/or (iv) the Executive’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this subsection (a), no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interests of the Company.

(b) From and after a Change in Control (or in connection with a termination occurring pursuant to Section 5(g)), (i) the willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness or other than any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 2 hereof and after the Company’s cure period relating to the event on which Good Reason is based, if any and if applicable, has expired) and/or (ii) the Executive’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this subsection (b), no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interests of the Company. Notwithstanding the foregoing, the Executive shall not be deemed terminated for Cause pursuant to clause (i) of this subsection (b) unless and until the Executive shall have been provided with reasonable notice of and, if possible, a reasonable opportunity to cure the facts and circumstances claimed to provide a basis for termination of the Executive’s employment for Cause.

“Change in Control” shall be deemed to have occurred on the date that a change in the ownership of Sempra Energy, a change in the effective control of Sempra Energy, or a change in the ownership of a substantial portion of assets of Sempra Energy occurs (each, as defined in subsection (a) below), except as otherwise provided in subsections (b), (c) and (d) below:

(a) (i) a “change in the ownership of Sempra Energy” occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of Sempra Energy that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of Sempra Energy,

(ii) a “change in the effective control of Sempra Energy” occurs only on either of the following dates:

(A) the date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Sempra Energy possessing thirty percent (30%) or more of the total voting power of the stock of Sempra Energy, or

(B) the date a majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of appointment or election, and

(iii) a “change in the ownership of a substantial portion of assets of Sempra Energy” occurs on the date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from Sempra Energy that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of Sempra Energy immediately before such acquisition or acquisitions.

(b) A “change in the ownership of Sempra Energy” or “a change in the effective control of Sempra Energy” shall not occur under clause (a)(i) or (ii) by reason of any of the following:

(i) an acquisition of ownership of stock of Sempra Energy directly from Sempra Energy or its Affiliates other than in connection with the acquisition by Sempra Energy or its Affiliates of a business,

(ii) a merger or consolidation which would result in the voting securities of Sempra Energy outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least sixty percent (60%) of the combined voting power of the securities of Sempra Energy or

such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or

(iii) a merger or consolidation effected to implement a recapitalization of Sempra Energy (or similar transaction) in which no Person is or becomes the “beneficial owner” (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of Sempra Energy (not including the securities beneficially owned by such Person any securities acquired directly from Sempra Energy or its Affiliates other than in connection with the acquisition by Sempra Energy or its Affiliates of a business) representing twenty percent (20%) or more of the combined voting power of Sempra Energy’s then outstanding securities.

(c) A “change in the ownership of a substantial portion of assets of Sempra Energy” shall not occur under clause (a)(iii) by reason of a sale or disposition by Sempra Energy of the assets of Sempra Energy to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by shareholders of Sempra Energy in substantially the same proportions as their ownership of Sempra Energy immediately prior to such sale.

(d) This definition of “Change in Control” shall be limited to the definition of a “change in control event” with respect to the Executive and relating to Sempra Energy under Treasury Regulation Section 1.409A-3(i)(5).

“Change in Control Date” means the date on which a Change in Control occurs.

“Code” means the Internal Revenue Code of 1986, as amended.

“Compensation Committee” means the compensation committee of the Board.

“Consulting Payment” has the meaning assigned thereto in Section 14(e) hereof.

“Consulting Period” has the meaning assigned thereto in Section 14(f) hereof.

“Date of Termination” has the meaning assigned thereto in Section 2(b) hereof.

“Disability” has the meaning set forth in the long-term disability plan or its successor maintained by the Company entity that is the employer of the Executive; *provided, however*, that the Executive’s employment hereunder may not be terminated by reason of Disability unless (a) at the time of such termination there is no reasonable expectation that the Executive will return to work within the next ninety (90) day period and (b) such termination is permitted by all applicable disability laws.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the applicable rulings and regulations thereunder.

“Excise Tax” has the meaning assigned thereto in Section 8(a) hereof.

“Good Reason” means:

(a) Prior to a Change in Control, the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected by the Company prior to the Date of Termination specified in the Notice of Termination (as required under Section 2 hereof):

(i) the assignment to the Executive of any duties materially inconsistent with the range of duties and responsibilities appropriate to a senior executive within the Company (such range determined by reference to past, current and reasonable practices within the Company);

(ii) a material reduction in the Executive’s overall standing and responsibilities within the Company, but not including (A) a mere change in title or (B) a transfer within the Company, which, in the case of both (A) and (B), does not adversely affect the Executive’s overall status within the Company;

(iii) a material reduction by the Company in the Executive’s aggregate annualized compensation and benefits opportunities, except for across-the-board reductions (or modifications of benefit plans) similarly affecting all similarly situated executives of the Company of comparable rank with the Executive;

(iv) the failure by the Company to pay to the Executive any portion of the Executive’s current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive’s employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof;

(vi) the failure by Sempra Energy to perform its obligations under Section 16(c) or (d) hereof;

(vii) the failure by the Company to provide the indemnification and D&O insurance protection Section 10 of this Agreement requires it to provide; or

(viii) the failure by Sempra Energy (or any of the entities comprising the Company, as applicable) to comply with any material provision of this Agreement.

(b) From and after a Change in Control (or in connection with a termination occurring pursuant to Section 5(g)), the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected by the Company prior to the Date of Termination specified in the Notice of Termination (as required under Section 2 hereof):

(i) an adverse change in the Executive’s title, authority, duties, responsibilities or reporting lines as in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Executive's aggregate annualized compensation opportunities, except for across-the-board reductions in base salaries, annual bonus opportunities or long-term incentive compensation opportunities of less than ten percent (10%) similarly affecting all similarly situated executives (including, if applicable, of the Person then in control of Sempra Energy) of comparable rank with the Executive; or the failure by the Company to continue in effect any material benefit plan in which the Executive participates immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(iii) the relocation of the Executive's principal place of employment immediately prior to the Change in Control Date (the "Principal Location") to a location which is both further away from the Executive's residence and more than thirty (30) miles from such Principal Location, or the Company's requiring the Executive to be based anywhere other than such Principal Location (or permitted relocation thereof), or a substantial increase in the Executive's business travel obligations outside of the Southern California area as of immediately prior to the Change in Control (without regard to any changes therein in anticipation of the Change in Control) other than any such increase that (A) arises in connection with extraordinary business activities of the Company of limited duration and (B) is understood not to be part of the Executive's regular duties with the Company;

(iv) the failure by the Company to pay to the Executive any portion of the Executive's current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof;

(vi) the failure by Sempra Energy to perform its obligations under Section 16(c) or (d) hereof;

(vii) the failure by the Company to provide the indemnification and D&O insurance protection Section 10 of this Agreement requires it to provide; or

(viii) the failure by Sempra Energy (or any of the entities comprising the Company, as applicable) to comply with any material provision of this Agreement.

Following a Change in Control, the Executive's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is deemed to be unreasonable by an arbitrator pursuant to the procedure described in Section 13 hereof. The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's

continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

“Incentive Compensation Awards” means awards granted under Incentive Compensation Plans providing the Executive with the opportunity to earn, on a year-by-year basis, annual and long-term incentive compensation.

“Incentive Compensation Plans” means annual incentive compensation plans and long-term incentive compensation plans of the Company, which long-term incentive compensation plans may include plans offering stock options, restricted stock and other long-term incentive compensation.

“Involuntary Termination” means (a) the Executive’s Separation from Service by reason other than for Cause, death, Disability, or Mandatory Retirement, or (b) the Executive’s Separation from Service by reason of resignation of employment for Good Reason.

“JAMS” has the meaning assigned thereto in Section 13(c) hereof.

“Mandatory Retirement” means termination of employment pursuant to the Company’s mandatory retirement policy.

“Medical Continuation Benefits” has the meaning assigned thereto in Section 4(c) hereof.

“Notice of Termination” has the meaning assigned thereto in Section 2(a) hereof.

“Payment” has the meaning assigned thereto in Section 8(a) hereof.

“Payment in Lieu of Notice” has the meaning assigned thereto in Section 2(b) hereof.

“Person” means any person, entity or “group” within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, except that such term shall not include (a) Sempra Energy or any of its Affiliates, (b) a trustee or other fiduciary holding securities under an employee benefit plan of Sempra Energy or any of its Affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, (d) a corporation owned, directly or indirectly, by the shareholders of Sempra Energy in substantially the same proportions as their ownership of stock of Sempra Energy, or (e) a “person” or “group” as used in Rule 13d-1(b) under the Exchange Act.

“Post-Change in Control Severance Payment” has the meaning assigned thereto in Section 5 hereof.

“Pre-Change in Control Severance Payment” has the meaning assigned thereto in Section 4 hereof.

“Principal Location” has the meaning assigned thereto in clause (b)(iii) of the definition of Good Reason, above.

“Proprietary Information” has the meaning assigned thereto in Section 14(a) hereof.

“Pro Rata Bonus” means a severance amount equal to the greater of (a) the Executive's Target Bonus as in effect immediately prior to the Change in Control or on the Date of Termination, whichever is greater, or (b) the Executive's Average Annual Bonus, multiplied by a fraction, (X) the numerator of which shall be the number of days from the beginning of such fiscal year to and including the Date of Termination and (Y) the denominator of which shall be three hundred sixty-five (365).

“Release” has the meaning assigned thereto in Section 4 hereof. The Release is not a condition of employment or continued employment or a condition of receiving a raise or a bonus.

“Section 409A Payments” means any payments under this Agreement which are subject to Section 409A of the Code.

“Sempra Energy Control Group” means Sempra Energy and all persons with whom Sempra Energy would be considered a single employer under Section 414(b) or (c) of the Code, as determined from time to time.

“Separation from Service” has the meaning set forth in Treasury Regulation Section 1.409A-1(h).

“SERP” has the meaning assigned thereto in Section 5(b) hereof.

“Specified Employee” shall be determined in accordance with Section 409A(a)(2)(B)(i) of the Code and Treasury Regulation Section 1.409A-1(i).

“Target Bonus” means, for any year, the target annual bonus from the Company that may be earned by the Executive for such year (regardless of the actual annual bonus earned, if any); *provided, however*, that if, as of the Date of Termination, a target annual bonus has not been established for the Executive for the year in which the Date of Termination occurs, the “Target Bonus” as of the Date of Termination shall be equal to the target annual bonus, if any, for the immediately preceding fiscal year of Sempra Energy.

For purposes of this Agreement, references to any “Treasury Regulation” shall mean such Treasury Regulation as in effect on the date hereof.

Section 2. Notice and Date of Termination.

(a) Any termination of the Executive's employment by the Company or by the Executive shall be communicated by a written notice of termination to the other party (the “Notice of Termination”). Where applicable, the Notice of Termination shall indicate the

specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Unless the Board or a committee thereof, in writing, provides a longer notice period, a Notice of Termination by the Executive alleging a termination for Good Reason must be made within one hundred eighty (180) days of the act or failure to act that the Executive alleges to constitute Good Reason.

(b) The date of the Executive's termination of employment with the Company (the "Date of Termination") shall be determined as follows: (i) if the Executive's Separation from Service is at the volition of the Company, then the Date of Termination shall be the date specified in the Notice of Termination (which, in the case of a termination by the Company other than for Cause, shall not be less than two (2) weeks from the date such Notice of Termination is given unless the Company elects to pay the Executive, in addition to any other amounts payable hereunder, an amount (the "Payment in Lieu of Notice") equal to two (2) weeks of the Executive's Annual Base Salary in effect on the Date of Termination), and (ii) if the Executive's Separation from Service is by the Executive for Good Reason, the Date of Termination shall be determined by the Executive and specified in the Notice of Termination, but in no event be less than fifteen (15) days nor more than sixty (60) days after the date such Notice of Termination is given. The Payment in Lieu of Notice shall be paid on such date as is required by law, but no later than thirty (30) days after the date of the Executive's Separation from Service.

Section 3. Termination from the Board. Upon the termination of the Executive's employment for any reason, the Executive's membership on the Board, the board of directors of any Affiliates of Sempra Energy, any committees of the Board and any committees of the board of directors of any of the Affiliates of Sempra Energy, if applicable, shall be automatically terminated and the Executive agrees to take any and all actions (including resigning) required by Sempra Energy or any of its Affiliates to evidence and effect such termination of membership.

Section 4. Severance Benefits upon Involuntary Termination Prior to Change in Control. Except as provided in Sections 5(g) and 19(i) hereof, in the event of the Involuntary Termination of the Executive prior to a Change in Control, Sempra Energy shall, or shall cause one of its Affiliates that is the employer of the Executive to, pay the Executive, in one lump sum cash payment, an amount (the “Pre-Change in Control Severance Payment”) equal to one-half (0.5) times the sum of (X) the Executive’s Annual Base Salary as in effect on the Date of Termination plus (Y) an amount equal to the greater of (I) his Average Annual Bonus or (II) the Target Bonus in effect on the Date of Termination. In addition to the Pre-Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits specified in Section 4(a) through (e). The Company’s obligation to pay the Pre-Change in Control Severance Payment or provide the benefits set forth in Section 4(c), (d) and (e) is subject to and conditioned upon the Executive executing a release of all claims substantially in the form attached hereto as Exhibit A (the “Release”) within fifty (50) days after the date of Involuntary Termination and the Executive not revoking such Release in accordance with the terms thereof. The Pre-Change in Control Severance Payment shall be paid within sixty (60) days after the date of the Involuntary Termination on such date as is determined by Sempra Energy, but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one taxable year, then the Pre-Change in Control Severance Payment shall not be made until the later taxable year.

(a) Accrued Obligations. The Company shall pay the Executive a lump sum amount in cash equal to Accrued Obligations within the time prescribed by law.

(b) Equity-Based Compensation. The Executive shall retain all rights to any equity-based compensation awards to the extent set forth in the applicable plan and/or award agreement.

(c) Welfare Benefits. Subject to the terms and conditions of this Agreement, for a period of six (6) months following the date of the Involuntary Termination (and an additional twelve (12) months if the Executive provides consulting services under Section 14(f) hereof), the Executive and his dependents shall be provided with group medical benefits which are substantially similar to those provided from time to time to similarly situated active employees of the Company (and their eligible dependents) (“Medical Continuation Benefits”). Without limiting the generality of the foregoing, such Medical Continuation Benefits shall be provided on substantially the same terms and conditions and at the same cost to the Executive as apply to similarly situated active employees of the Company. Such benefits shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(a)(5). Notwithstanding the foregoing, if Sempra Energy determines in its sole discretion that the Medical Continuation Benefits cannot be provided without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or that the provision of Medical Continuation Benefits under this Agreement would subject Sempra Energy or any of its Affiliates to a material tax or penalty, (i) the Executive shall be provided, in lieu thereof, with a taxable monthly payment in an amount equal to the monthly premium that the Executive would be required to pay to continue the Executive’s and his covered dependents’ group medical benefit coverages under COBRA as then in effect (which amount shall be based on the premiums for the

first month of COBRA coverage) or (ii) Sempra Energy shall have the authority to amend the Agreement to the limited extent reasonably necessary to avoid such violation of law or tax or penalty and shall use all reasonable efforts to provide the Executive with a comparable benefit that does not violate applicable law or subject Sempra Energy or any of its Affiliates to such tax or penalty.

(d) Outplacement Services. The Executive shall receive reasonable outplacement services, on an in-kind basis, suitable to his position and directly related to the Executive's Involuntary Termination, for a period of eighteen (18) months following the date of the Involuntary Termination, in an aggregate amount of cost to the Company not to exceed \$50,000. Notwithstanding the foregoing, the Executive shall cease to receive outplacement services on the date the Executive accepts employment with a subsequent employer. Such outplacement services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b)(9)(v)(A).

(e) Financial Planning Services. The Executive shall receive financial planning services, on an in-kind basis, for a period of eighteen (18) months following the Date of Termination. Such financial planning services shall include expert financial and legal resources to assist the Executive with financial planning needs and shall be limited to (i) current investment portfolio management, (ii) tax planning, (iii) tax return preparation, and (iv) estate planning advice and document preparation (including wills and trusts); *provided, however*, that the Company shall provide such financial planning services during any taxable year of the Executive only to the extent the cost to the Company for such taxable year does not exceed \$25,000. The Company shall provide such financial planning services through a financial planner selected by the Company, and shall pay the fees for such financial planning services. The financial planning services provided during any taxable year of the Executive shall not affect the financial planning services provided in any other taxable year of the Executive. The Executive's right to financial planning services shall not be subject to liquidation or exchange for any other benefit. Such financial planning services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv).

Section 5. Severance Benefits upon Involuntary Termination in Connection with and after Change in Control.

Notwithstanding the provisions of Section 4 above, and except as provided in Section 19(i) hereof, in the event of the Involuntary Termination of the Executive on or within two (2) years following a Change in Control, in lieu of the payments described in Section 4 above, Sempra Energy shall, or shall cause one of its Affiliates that is the employer of the Executive to, pay the Executive, in one lump sum cash payment, an amount (the "Post-Change in Control Severance Payment") equal to (a) the Pro Rata Bonus plus (b) the sum of (X) the Executive's Annual Base Salary as in effect immediately prior to the Change in Control or on the Date of Termination, whichever is greater, plus (Y) an amount equal to the greater of (I) the Executive's Target Bonus determined immediately prior to the Change in Control or the Date of Termination, whichever is greater and (II) the Executive's Average Annual Bonus. In addition to the Post-Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits specified in Section 5(a) through (f). The Company's obligation to pay the Post-Change in Control Severance Payment or provide the benefits set forth in Section 5(b), (c), (d), (e), and (f) is subject to and conditioned upon the Executive executing the Release within fifty (50) days after the date of Involuntary Termination and the Executive not revoking such Release in accordance with the terms thereof. Except as provided in Section 5(g), the Post-Change in Control Severance Payment and the payments under Section 5(b) shall be paid within sixty (60) days after the date of Involuntary Termination on such date as is determined by Sempra Energy (or its successor) but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one (1) taxable year, then the Post-Change in Control Severance Payment and the payments under Section 5(b) shall not be made until the later taxable year.

(a) Accrued Obligations. The Company shall pay the Executive a lump sum amount in cash equal to the Accrued Obligations within the time required by law and, to the extent applicable, in accordance with the applicable plan, policy or arrangement pursuant to which such payments are to be made.

(b) Pension Supplement. The Executive shall be entitled to receive a "Supplemental Retirement Benefit" under the Sempra Energy Supplemental Executive Retirement Plan, as in effect from time to time ("SERP"), determined in accordance with this Section 5(c), in the event that the Executive is a "Participant" (as defined in the SERP) as of the Date of Termination. Such Supplemental Retirement Benefit shall be determined by crediting the Executive with additional months of "Service" (as defined in the SERP) (if any) equal to the number of full calendar months from the Date of Termination to the date on which the Executive would have attained age sixty-two (62). The Executive shall be entitled to receive such Supplemental Retirement Benefit without regard to whether the Executive has attained age fifty-five (55) or completed five (5) years of Service as of the Date of Termination. The Executive shall be treated as qualified for "Retirement" (as defined in the SERP) as of the Date of Termination, and the Executive's "Vesting Factor" with respect to the Supplemental Retirement Benefit shall be one hundred percent (100%). The Executive's Supplemental Retirement Benefit shall be calculated based on the Executive's actual age as of the date of commencement of payment of such Supplemental Retirement Benefit (the "SERP Distribution Date"), and by applying the applicable early retirement factors under the SERP, if the Executive has not attained

age sixty-two (62) but has attained age fifty-five (55) as of the SERP Distribution Date. If the Executive has not attained age fifty-five (55) as of the SERP Distribution Date, the Executive's Supplemental Retirement Benefit shall be calculated by applying the applicable early retirement factor under the SERP for age fifty-five (55), and the Supplemental Retirement Benefit otherwise payable at age fifty-five (55) shall be actuarially adjusted to the Executive's actual age as of the SERP Distribution Date using the following actuarial assumptions: (i) the applicable mortality table promulgated by the Internal Revenue Service under Section 417(e)(3) of the Code, as in effect on the first (1st) day of the calendar year in which the SERP Distribution Date occurs, and (ii) the applicable interest rate promulgated by the Internal Revenue Service under Section 417(e)(3) of the Code for the November next preceding the first day of the calendar year in which the SERP Distribution Date occurs. The Executive's Supplemental Retirement Benefit shall be determined in accordance with this Section 5(b), notwithstanding any contrary provisions of the SERP and, to the extent subject to Section 409A of the Code, shall be paid in accordance with Treasury Regulation Section 1.409A-3(c)(1). The Supplemental Retirement Benefit paid to or on behalf of the Executive in accordance with this Section 5(b) shall be in full satisfaction of any and all of the benefits payable to or on behalf of the Executive under the SERP.

(c) Equity-Based Compensation. Notwithstanding the provisions of any applicable equity-based compensation plan or award agreement to the contrary, all equity-based Incentive Compensation Awards (including, without limitation, stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance share awards, awards covered under Section 162(m) of the Code, and dividend equivalents) held by the Executive shall immediately vest and become exercisable or payable, as the case may be, as of the Date of Termination, to be exercised or paid, as the case may be, in accordance with the terms of the applicable Incentive Compensation Plan and Incentive Compensation Award agreement, and any restrictions on any such Incentive Compensation Awards shall automatically lapse; *provided, however*, that, in the case of any stock option or stock appreciation rights awards granted on or after June 26, 1998 that remain outstanding on the Date of Termination, such stock options or stock appreciation rights shall remain exercisable until the earlier of (i) the later of eighteen (18) months following the Date of Termination or the period specified in the applicable Incentive Compensation Award agreement or (ii) the expiration of the original term of such Incentive Compensation Award (or, if earlier, the tenth (10th) anniversary of the original date of grant) (it being understood that all Incentive Compensation Awards granted prior to, on or after June 26, 1998 shall remain outstanding and exercisable for a period that is no less than that provided for in the applicable agreement in effect as of the date of grant).

(d) Welfare Benefits. Subject to the terms and conditions of this Agreement, for a period of twelve (12) months following the date of Involuntary Termination (and an additional twelve (12) months if the Executive provides consulting services under Section 14(f) hereof), the Executive and his dependents shall be provided with life, disability, accident and group medical benefits which are substantially similar to those provided to the Executive and his dependents immediately prior to the date of Involuntary Termination or the Change in Control Date, whichever is more favorable to the Executive. Without limiting the generality of the foregoing, the continuing benefits described in the preceding sentence shall be provided on

substantially the same terms and conditions and at the same cost to the Executive as in effect immediately prior to the date of Involuntary Termination or the Change in Control Date, whichever is more favorable to the Executive. Such benefits shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(a)(5). Notwithstanding the foregoing, if Sempra Energy determines in its sole discretion that the portion of the foregoing continuing benefits that constitute group medical benefits cannot be provided without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or that the provision of such group medical benefits under this Agreement would subject Sempra Energy or any of its Affiliates to a material tax or penalty, (i) the Executive shall be provided, in lieu thereof, with a taxable monthly payment in an amount equal to the monthly premium that the Executive would be required to pay to continue the Executive's and his covered dependents' group medical benefit coverages under COBRA as then in effect (which amount shall be based on the premiums for the first month of COBRA coverage) or (ii) Sempra Energy shall have the authority to amend the Agreement to the limited extent reasonably necessary to avoid such violation of law or tax or penalty and shall use all reasonable efforts to provide the Executive with a comparable benefit that does not violate applicable law or subject Sempra Energy or any of its Affiliates to such tax or penalty.

(e) Outplacement Services. The Executive shall receive reasonable outplacement services, on an in-kind basis, suitable to his position and directly related to the Executive's Involuntary Termination, for a period of twenty-four (24) months following the date of Involuntary Termination (but in no event beyond the last day of the Executive's second (2nd) taxable year following the Executive's taxable year in which the Involuntary Termination occurs), in the aggregate amount of cost to the Company not to exceed \$50,000. Notwithstanding the foregoing, the Executive shall cease to receive outplacement services on the date the Executive accepts employment with a subsequent employer. Such outplacement services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b)(9)(v)(A).

(f) Financial Planning Services. The Executive shall receive financial planning services, on an in-kind basis, for a period of twenty-four (24) months following the date of Involuntary Termination. Such financial planning services shall include expert financial and legal resources to assist the Executive with financial planning needs and shall be limited to (i) current investment portfolio management, (ii) tax planning, (iii) tax return preparation, and (iv) estate planning advice and document preparation (including wills and trusts); *provided, however*, that the Company shall provide such financial services during any taxable year of the Executive only to the extent the cost to the Company for such taxable year does not exceed \$25,000. The Company shall provide such financial planning services through a financial planner selected by the Company, and shall pay the fees for such financial planning services. The financial planning services provided during any taxable year of the Executive shall not affect the financial planning services provided in any other taxable year of the Executive. The Executive's right to financial planning services shall not be subject to liquidation or exchange for any other benefit. Such financial planning services shall be provided in a manner that complies with Section 1.409A-3(i)(1)(iv).

(g) Involuntary Termination in Connection with a Change in Control. Notwithstanding anything contained herein, in the event of an Involuntary Termination prior to a Change in Control, if the Involuntary Termination (i) was at the request of a third party who has taken steps reasonably calculated to effect such Change in Control or (ii) otherwise arose in connection with or in anticipation of such Change in Control, then the Executive shall, in lieu of the payments described in Section 4 hereof, be entitled to the Post-Change in Control Severance Payment and the additional benefits described in this Section 5 as if such Involuntary Termination had occurred within two (2) years following the Change in Control. The amounts specified in Section 5 that are to be paid under this Section 5(g) shall be reduced by any amount previously paid under Section 4. The amounts to be paid under this Section 5(g) shall be paid within sixty (60) days after the Change in Control Date of such Change in Control.

Section 6. Severance Benefits upon Termination by the Company for Cause or by the Executive Other than for Good Reason. If the Executive's employment shall be terminated for Cause, or if the Executive terminates employment other than for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the pre-Change in Control Accrued Obligations and any amounts or benefits described in Section 10 hereof.

Section 7. Severance Benefits upon Termination due to Death or Disability. If the Executive has a Separation from Service by reason of death or Disability, the Company shall pay the Executive or his estate, as the case may be, the Accrued Obligations and a severance amount equal to the Pro Rata Bonus (without regard to whether a Change in Control has occurred) and any amounts or benefits described in Section 10 hereof. Such payments shall be in addition to those rights and benefits to which the Executive or his estate may be entitled under the relevant Company plans or programs. The Company's obligation to pay the severance amount pursuant to this Section 7 is conditioned upon the Executive, the Executive's representative or the Executive's estate, as the case may be executing the Release within fifty (50) days after the date of the Executive's Separation from Service and not revoking such Release in accordance with the terms thereof. The Accrued Obligations shall be paid within the time required by law and the severance amount payable pursuant to this Section 7 shall be paid within sixty (60) days after the date of the Separation from Service on such date determined by Sempra Energy but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one (1) taxable year, then the severance amount shall not be made until the later taxable year.

Section 8. Limitation on Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth in this Section 8 below, in the event it shall be determined that any payment or distribution "in the nature of compensation" (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise (the "Payment") would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code, (the "Excise Tax"), then, subject to Section 8(b), the Pre-Change in Control Severance Payment or the Post-Change in Control Severance Payment (whichever is

applicable) payable under this Agreement shall be reduced under this Section 8(a) to the amount equal to the Reduced Payment. For such Payment payable under this Agreement, the “Reduced Payment” shall be the amount equal to the greatest portion of the Payment (which may be zero (\$0)) that, if paid, would result in no portion of any Payment being subject to the Excise Tax.

(b) The Pre-Change in Control Severance Payment or the Post-Change in Control Severance Payment (whichever is applicable) payable under this Agreement shall not be reduced under Section 8(a) if:

(i) such reduction in such Payment is not sufficient to cause no portion of any Payment to be subject to the Excise Tax, or

(ii) the Net After-Tax Unreduced Payments (as defined below) would equal or exceed one hundred five percent (105%) of the Net After-Tax Reduced Payments (as defined below).

For purposes of determining the amount of any Reduced Payment under Section 8(a), and the Net-After Tax Reduced Payments and the Net After-Tax Unreduced Payments, the Executive shall be considered to pay federal, state and local income and employment taxes at the Executive’s applicable marginal rates taking into consideration any reduction in federal income taxes which could be obtained from the deduction of state and local income taxes, and any reduction or disallowance of itemized deductions and personal exemptions under applicable tax law). The applicable federal, state and local income and employment taxes and the Excise Tax (to the extent applicable) are collectively referred to as the “Taxes.”

(c) For purposes of determining the amount of any Reduced Payment under this Section 8, the amount of any Payment shall be reduced in the following order:

(i) first, by reducing the amounts of parachute payments that would not constitute deferred compensation subject to Section 409A of the Code;

(ii) next, if after the reduction described in Section 8(c)(i), additional reductions are required, then by reducing the cash portion of the Payment that constitutes “deferred compensation” (within the meaning of Section 409A) subject to Section 409A, with the reductions to be applied first to the portion of the Payment scheduled for the latest distribution date, and then applied to distributions scheduled for progressively earlier distribution dates, to the extent necessary to decrease the Payment as required under this Section 8; and

(iii) next, if after the reduction described in Section 8(c)(ii), additional reductions are required, then, by reducing the non-cash portion of the Payment that constitutes deferred compensation (within the meaning of Section 409A) subject to Section 409A, with the reductions to be applied first to the portion of the Payment scheduled for the latest distribution date, and then applied to distributions scheduled for progressively earlier distribution dates, to the extent necessary to decrease the Payment as required under this Section 8.

(d) The following definitions shall apply for purposes of this Section 8:

(i) “Net After-Tax Reduced Payments” shall mean the total amount of all Payments that the Executive would retain, on a Net After-Tax Basis, in the event that the Payments payable under this Agreement are reduced pursuant to Section 8(a).

(ii) “Net After-Tax Unreduced Payments” shall mean the total amount of all Payments that the Executive would retain, on a Net After-Tax Basis, in the event that the Payments payable under this Agreement are not reduced pursuant to Section 8(a).

(iii) “Net After-Tax Basis” shall mean, with respect to the Payments, either with or without reduction under Section 8(a) (as applicable), the amount that would be retained by the Executive from such Payments after the payment of all Taxes.

(e) All determinations required to be made under this Section 8 and the assumptions to be utilized in arriving at such determinations, shall be made by a nationally recognized accounting firm as may be agreed by the Company and the Executive (the “Accounting Firm”); *provided*, that the Accounting Firm’s determination shall be made based upon “substantial authority” within the meaning of Section 6662 of the Code. The Accounting Firm shall provide detailed supporting calculations to both the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. For purposes of determining whether and the extent to which the Payments will be subject to the Excise Tax, (i) no portion of the Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a “payment” within the meaning of Section 280G(b) of the Code shall be taken into account, (ii) no portion of the Payments shall be taken into account which, in the written opinion of the Accounting Firm, does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Payments shall be taken into account which, in the opinion of the Accounting Firm, constitutes “reasonable compensation” for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the “base amount” (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Payments shall be determined by the Accounting Firm in accordance with the principles of Section 280G(d)(3) and (4) of the Code.

Section 9. Delayed Distribution under Section 409A of the Code. Notwithstanding any other provision of this Agreement to the contrary, if the Executive is a Specified Employee on the date of the Executive's Involuntary Termination (or on the date of the Executive's Separation from Service by reason of Disability), the Section 409A Payments which are payable upon Separation from Service shall be delayed to the extent necessary in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, and such delayed payments or benefits shall be paid or distributed to the Executive during the thirty (30) day period commencing on the earlier of (a) the expiration of the six (6) month period measured from the date of the Executive's Separation from Service or (b) the date of the Executive's death. Upon the expiration of the applicable six (6) month period, all payments deferred pursuant to this Section 9 (excluding in-kind benefits) shall be paid in a lump sum payment to the Executive, plus interest thereon from the date of the Executive's Involuntary Termination through the payment date at an annual rate equal to Moody's Rate. The "Moody's Rate" shall mean the average of the daily Moody's Corporate Bond Yield Average – Monthly Average Corporates as published by Moody's Investors Service, Inc. (or any successor) for the month next preceding the Date of Termination. Any remaining payments due under the Agreement shall be paid as otherwise provided herein.

Section 10. Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), including, without limitation, any and all indemnification arrangements in favor of the Executive (whether under agreements or under the Company's charter documents or otherwise), and insurance policies covering the Executive, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into with, the Company shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. At all times during the Executive's employment with the Company and thereafter, the Company shall provide (to the extent permissible under applicable law) the Executive with indemnification and D&O insurance insuring the Executive against insurable events which occur or have occurred while the Executive was a director or executive officer of the Company, that with respect to such insurance is on terms and conditions that, to the extent reasonably practical, are at least as generous as that then currently provided to any other current or former director or executive officer of the Company or any Affiliate. Such indemnification and D&O insurance shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b) (10).

Section 11. Clawbacks. Notwithstanding anything herein to the contrary, if Sempra Energy determines, in its good faith judgment, that if the Executive is required to forfeit or to make any repayment of any compensation or benefit(s) to the Company under the Sarbanes-Oxley Act of 2002 or pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or any other law or pursuant to any formal policy of Sempra Energy, such forfeiture or repayment shall not constitute Good Reason.

Section 12. Full Settlement; Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others, provided that nothing herein shall preclude the Company from separately pursuing recovery from the Executive based on any such claim. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

Section 13. Dispute Resolution.

(a) If any dispute arises between the Executive and Sempra Energy or any of its Affiliates, including, but not limited to, disputes relating to or arising out of this Agreement, any action relating to or arising out of the Executive's employment or its termination, and/or any disputes regarding the interpretation, enforceability, or validity of this Agreement ("Arbitrable Dispute"), the Executive and Sempra Energy waive the right to resolve the dispute through litigation in a judicial forum and agree to resolve the Arbitrable Dispute through final and binding arbitration, except as prohibited by law. Arbitration shall be the exclusive remedy for any Arbitrable Dispute.

(b) As to any Arbitrable Dispute, Sempra Energy and the Executive waive any right to a jury trial or a court bench trial. The Company and the Executive also waive the right to bring, maintain, or participate in any class, collective, or representative proceeding, whether in arbitration or otherwise. Further, Arbitrable Disputes must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis.

(c) Arbitration shall take place at the office of the Judicial Arbitration and Mediation Service ("JAMS") (or, if the Executive is employed outside of California, the American Arbitration Association ("AAA")) nearest to the location where the Executive last worked for the Company. Except to the extent it conflicts with the rules and procedures set forth in this Agreement, arbitration shall be conducted in accordance with the JAMS Employment Arbitration Rules & Procedures (if the Executive is employed outside of California, the AAA Employment Arbitration Rules & Mediation Procedures), copies of which are attached for reference and available at www.jamsadr.com; tel: 800.352.5267 and www.adr.org; tel: 800.778.7879, before a single experienced, neutral employment arbitrator selected in accordance with those rules.

(d) Sempra Energy will be responsible for paying any filing fee and the fees and costs of the arbitrator. Each party shall pay its own attorneys' fees. However, if any party prevails on a statutory claim that authorizes an award of attorneys' fees to the prevailing party, or if there is a written agreement providing for attorneys' fees, the arbitrator may award reasonable attorneys' fees to the prevailing party, applying the same standards a court would apply under the law applicable to the claim.

(e) The arbitrator shall apply the Federal Rules of Evidence, shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party, and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The arbitrator does not have the authority to consider, certify, or hear an arbitration as a class action, collective action, or any other type of representative action. Sempra Energy and the Executive recognize that this Agreement arises out of or concerns interstate commerce and that the Federal Arbitration Act shall govern the arbitration and shall govern the interpretation or enforcement of this Agreement or any arbitration award.

(f) EXECUTIVE ACKNOWLEDGES THAT BY ENTERING INTO THIS AGREEMENT, EXECUTIVE IS WAIVING ANY RIGHT HE MAY HAVE TO A TRIAL BY JURY.

Section 14. Executive's Covenants.

(a) Confidentiality. The Executive acknowledges that in the course of his employment with the Company, he has acquired non-public privileged or confidential information and trade secrets concerning the operations, future plans and methods of doing business ("Proprietary Information") of Sempra Energy and its Affiliates; and the Executive agrees that it would be extremely damaging to Sempra Energy and its Affiliates if such Proprietary Information were disclosed to a competitor of Sempra Energy and its Affiliates or to any other person or corporation. The Executive understands and agrees that all Proprietary Information has been divulged to the Executive in confidence and further understands and agrees to keep all Proprietary Information secret and confidential (except for such information which is or becomes publicly available other than as a result of a breach by the Executive of this provision or information the Executive is required by any governmental, administrative or court order to disclose) without limitation in time. In view of the nature of the Executive's employment and the Proprietary Information the Executive has acquired during the course of such employment, the Executive likewise agrees that Sempra Energy and its Affiliates would be irreparably harmed by any disclosure of Proprietary Information in violation of the terms of this Section 14(a) and that Sempra Energy and its Affiliates shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this Section 14(a) and to any other relief available to them. Inquiries regarding whether specific information constitutes Proprietary Information shall be directed to the Company's Senior Vice President, Public Policy (or, if such position is vacant, the Company's then Chief Executive Officer); *provided*, that the Company shall not unreasonably classify information as Proprietary Information.

(b) Governmental Reporting. Nothing in this Agreement is intended to interfere with or discourage the Executive's good faith disclosure related to a suspected violation of federal or state law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. The Executive cannot and will not be held criminally or civilly liable under any federal or state trade secret law for disclosing otherwise protected trade secrets and/or confidential or proprietary information so long as the disclosure is made in (i) confidence to a

federal, state, or local government official, directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) a complaint or other document filed in a lawsuit or other proceeding, so long as such filing is made under seal. The Company will not retaliate against the Executive in any way for a disclosure made pursuant to this Section 14(b). Further, in the event the Executive makes such a disclosure, and files a lawsuit against the Company alleging that the Company retaliated against the Executive because of the disclosure, the Executive may disclose the relevant trade secret or confidential information to the Executive's attorney, and may use the same in the court proceeding only if (X) the Executive ensures that any court filing that includes the trade secret or confidential information at issue is made under seal; and (Y) the Executive does not otherwise disclose the trade secret or confidential information except as required by court order.

(c) Non-Solicitation of Employees. The Executive recognizes that he possesses and will possess confidential information about other employees of Sempra Energy and its Affiliates relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with customers of Sempra Energy and its Affiliates. The Executive recognizes that the information he possesses and will possess about these other employees is not generally known, is of substantial value to Sempra Energy and its Affiliates in developing their business and in securing and retaining customers, and has been and will be acquired by him because of his business position with Sempra Energy and its Affiliates. The Executive agrees that at all times during the Executive's employment with the Company and for a period of one (1) year thereafter, he will not, directly or indirectly, solicit or recruit any employee of the Company or its Affiliates for the purpose of being employed by him or by any competitor of the Company or its Affiliates on whose behalf he is acting as an agent, representative or employee and that he will not convey any such confidential information or trade secrets about other employees of Sempra Energy and its Affiliates to any other person; *provided, however*, that it shall not constitute a solicitation or recruitment of employment in violation of this Section 14(c) to discuss employment opportunities with any employee of the Company or its Affiliates who has either first contacted the Executive or regarding whose employment the Executive has discussed with and received the written approval of the Company's most senior Vice President, Human Resources (or, if such position is vacant, the Company's then Chief Executive Officer), prior to making such solicitation or recruitment. In view of the nature of the Executive's employment with the Company, the Executive likewise agrees that Sempra Energy and its Affiliates would be irreparably harmed by any solicitation or recruitment in violation of the terms of this Section 14(c) and that Sempra Energy and its Affiliates shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this Section 14(c) and to any other relief available to them.

(d) Survival of Provisions. The obligations contained in Section 14(a), (b) and (c) above shall survive the termination of the Executive's employment within the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in Section 14(a) or (c) above is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that

such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

(e) Release; Consulting Payment. In the event of the Executive's Involuntary Termination, if the Executive (i) reconfirms and agrees to abide by the covenants described in Section 14(a) and (c) above, (ii) executes the Release within fifty (50) days after the date of Involuntary Termination and does not revoke such Release in accordance with the terms thereof, and (iii) agrees to provide the consulting services described in Section 14(f) below, then in consideration for such covenants and consulting services, the Company shall pay the Executive, in one (1) cash lump sum, an amount (the "Consulting Payment") in cash equal to the sum of (X) the Executive's Annual Base Salary as in effect on the Date of Termination, plus (Y) the greater of the Executive's Average Annual Bonus or the Executive's Target Bonus on the Date of Termination. Except as provided in this Section 14(e), the Consulting Payment shall be paid on such date as is determined by the Company within the ten (10) day period commencing on the sixtieth (60th) day after the date of the Executive's Involuntary Termination; *provided, however*, that if the Executive is a Specified Employee on the date of the Executive's Involuntary Termination, the Consulting Payment shall be paid as provided in Section 9 hereof to the extent required.

(f) Consulting. If the Executive agrees to the provisions of Section 14(e) above, then the Executive shall have the obligation to provide consulting services to the Company as an independent contractor, commencing on the Date of Termination and ending on the second (2nd) anniversary of the Date of Termination (the "Consulting Period"). The Executive shall hold himself available at reasonable times and on reasonable notice to render such consulting services as may be so assigned to him by the Board or the Company's then Chief Executive Officer; *provided, however*, that unless the parties otherwise agree, the consulting services rendered by the Executive during the Consulting Period shall not exceed twenty (20) hours each month; and, *provided, further*, that the consulting services rendered by the Executive during the Consulting Period shall in no event exceed twenty percent (20%) of the average level of services performed by the Executive for the Company over the thirty-six (36) month period immediately preceding the Executive's Separation from Service (or the full period of services to the Company, if the Executive has been providing services to the Company for less than thirty-six (36) months). The Company agrees to use its best efforts during the Consulting Period to secure the benefit of the Executive's consulting services so as to minimize the interference with the Executive's other activities, including requiring the performance of consulting services at the Company's offices only when such services may not be reasonably performed off-site by the Executive.

Section 15. Legal Fees.

(a) Reimbursement of Legal Fees. Subject to Section 15(b), in the event of the Executive's Separation from Service either (i) prior to a Change in Control, or (ii) on or within two (2) years following a Change in Control, the Company shall reimburse the Executive for all legal fees and expenses (including but not limited to fees and expenses in connection with any arbitration) incurred by the Executive in disputing any issue arising under this Agreement

relating to the Executive's Separation from Service or in seeking to obtain or enforce any benefit or right provided by this Agreement.

(b) Requirements for Reimbursement. The Company shall reimburse the Executive's legal fees and expenses pursuant to Section 15(a) above only to the extent the arbitrator or court determines the following: (i) the Executive disputed such issue, or sought to obtain or enforce such benefit or right, in good faith, (ii) the Executive had a reasonable basis for such claim, and (iii) in the case of Section 15(a)(i) above, the Executive is the prevailing party. In addition, the Company shall reimburse such legal fees and expenses, only if such legal fees and expenses are incurred during the twenty (20) year period beginning on the date of the Executive's Separation from Service. The legal fees and expenses paid to the Executive for any taxable year of the Executive shall not affect the legal fees and expenses paid to the Executive for any other taxable year of the Executive. The legal fees and expenses shall be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the fees or expenses are determined to be payable pursuant to this Agreement. The Executive's right to reimbursement of legal fees and expenses shall not be subject to liquidation or exchange for any other benefit. Such right to reimbursement of legal fees and expenses shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv).

Section 16. Successors.

(a) Assignment by the Executive. This Agreement is personal to the Executive and without the prior written consent of Sempra Energy shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) Successors and Assigns of Sempra Energy. This Agreement shall inure to the benefit of and be binding upon Sempra Energy and its successors and assigns. Sempra Energy may not assign this Agreement to any person or entity (except for a successor described in Section 16(c), (d) or (e) below) without the Executive's written consent.

(c) Assumption. Sempra Energy shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Sempra Energy to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities of this Agreement in the same manner and to the same extent that Sempra Energy would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement if no such succession had taken place, and Sempra Energy shall have no further obligations and liabilities under this Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to such successor.

(d) Sale of Subsidiary. In the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy that is a member of the Sempra Energy Control Group, (ii) Sempra Energy, directly or indirectly through one or more intermediaries, sells or otherwise disposes of such subsidiary, and (iii) such subsidiary ceases to be a member of the Sempra Energy Control Group, then if, on the date such subsidiary ceases to be a member of the

Sempra Energy Control Group, the Executive continues in employment with such subsidiary and the Executive does not have a Separation from Service, Sempra Energy shall require such subsidiary or any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to such subsidiary, or the parent thereof, to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities under this Agreement in the same manner and to the same extent that Sempra Energy would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement, if such subsidiary had not ceased to be part of the Sempra Energy Control Group, and, upon such assumption, Sempra Energy shall have no further obligations and liabilities under the Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to such subsidiary, or such successor or parent thereof, assuming this Agreement, and subsection (b) of the definition of “Cause” and subsection (b) of the definition of “Good Reason” shall apply thereafter, as if a Change in Control had occurred on the date of such cessation.

(e) Sale of Assets of Subsidiary. In the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy, and (ii) such subsidiary sells or otherwise disposes of substantial assets of such subsidiary to an unrelated service recipient, as determined under Treasury Regulation Section 1.409A-1(f)(2)(ii) (the “Asset Purchaser”), in a transaction described in Treasury Regulation Section 1.409A-1(h)(4) (an “Asset Sale”), then if, on the date of such Asset Sale, the Executive becomes employed by the Asset Purchaser, Sempra Energy and the Asset Purchaser may specify, in accordance with Treasury Regulation Section 1.409A-1(h)(4), that the Executive shall not be treated as having a Separation from Service, and in such event, Sempra Energy may require such Asset Purchaser, or the parent thereof, to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities under this Agreement in the same manner and to the same extent that the Company would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement, if the Asset Sale had not taken place, and, upon such assumption, Sempra Energy shall have no further obligations and liabilities under the Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to the Asset Purchaser or the parent thereof, as applicable, and subsection (b) of the definition of “Cause” and subsection (b) of the definition of “Good Reason” shall apply thereafter, as if a Change in Control had occurred on the date of the Asset Sale.

Section 17. Administration Prior to Change in Control. Prior to a Change in Control, the Compensation Committee shall have full and complete authority to construe and interpret the provisions of this Agreement, to determine an individual's entitlement to benefits under this Agreement, to make in its sole and absolute discretion all determinations contemplated under this Agreement, to investigate and make factual determinations necessary or advisable to administer or implement this Agreement, and to adopt such rules and procedures as it deems necessary or advisable for the administration or implementation of this Agreement. All determinations made under this Agreement by the Compensation Committee shall be final, conclusive and binding on all interested persons. Prior to a Change in Control, the Compensation Committee may delegate responsibilities for the operation and administration of this Agreement to one or more officers or employees of the Company. The provisions of this Section 17 shall terminate and be of no further force and effect upon the occurrence of a Change in Control.

Section 18. Compliance with Section 409A of the Code. All payments and benefits payable under this Agreement (including, without limitation, the Section 409A Payments) are intended to comply with the requirements of Section 409A of the Code. Certain payments and benefits payable under this Agreement are intended to be exempt from the requirements of Section 409A of the Code. This Agreement shall be interpreted in accordance with the applicable requirements of, and exemptions from, Section 409A of the Code and the Treasury Regulations thereunder. To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Section 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder. If the Company and the Executive determine that any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Section 409A(a)(2), (3) and (4) of the Code do not comply with Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, to the extent permitted under Section 409A of the Code, the Treasury Regulations thereunder and any applicable authority issued by the Internal Revenue Service, the Company and the Executive agree to amend this Agreement, or take such other actions as the Company and the Executive deem reasonably necessary or appropriate, to cause such compensation, benefits and other payments to comply with the requirements of Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, while providing compensation, benefits and other payments that are, in the aggregate, no less favorable than the compensation, benefits and other payments provided under this Agreement. In the case of any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Section 409A(a)(2), (3) and (4) of the Code, if any provision of the Agreement would cause such compensation, benefits or other payments to fail to so comply, such provision shall not be effective and shall be null and void with respect to such compensation, benefits or other payments to the extent such provision would cause a failure to comply, and such provision shall otherwise remain in full force and effect.

Section 19. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to its principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Except as provided herein, the Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the parties hereto. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of Sempra Energy to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by a reputable overnight carrier or by registered or certified mail, return receipt requested, postage prepaid, addressed, in either case, to the Company's headquarters or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) Taxes. The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) No Waiver. The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 1 hereof, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 1 hereof shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) Entire Agreement; Exclusive Benefit; Supersession of Prior Agreement. This Agreement contains the entire agreement of the Executive, the Company or any predecessor or subsidiary thereof with respect to any severance or termination pay. The Pre-Change in Control Severance Payment, the Post-Change in Control Severance Payment and all other benefits provided hereunder shall be in lieu of any other severance payments to which the Executive is entitled under any other severance plan or program or arrangement sponsored by the Company, as well as pursuant to any individual employment or severance agreement that was entered into by the Executive and the Company, and, upon the Effective Date of this Agreement, all such plans, programs, arrangements and agreements are hereby automatically superseded and terminated.

(g) No Right of Employment. Nothing in this Agreement shall be construed as giving the Executive any right to be retained in the employ of the Company or shall interfere

in any way with the right of the Company to terminate the Executive's employment at any time, with or without Cause.

(h) Unfunded Obligation. The obligations under this Agreement shall be unfunded. Benefits payable under this Agreement shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under this Agreement.

(i) Termination upon Sale of Assets of Subsidiary. Notwithstanding anything contained herein, this Agreement shall automatically terminate and be of no further force and effect and no benefits shall be payable hereunder in the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy, (ii) an Asset Sale (as defined in Section 16(e)) occurs (other than such a sale or disposition which is part of a transaction or series of transactions which would result in a Change in Control), and (iii) as a result of such Asset Sale, the Executive is offered employment by the Asset Purchaser in an executive position with reasonably comparable status, compensation, benefits and severance agreement (including the assumption of this Agreement in accordance with Section 16(e)) and which is consistent with the Executive's experience and education, but the Executive declines to accept such offer and the Executive fails to become employed by the Asset Purchaser on the date of the Asset Sale.

(j) Term. The term of this Agreement shall commence on the Effective Date and shall continue until the third (3rd) anniversary of the Effective Date; *provided, however*, that commencing on the second (2nd) anniversary of the Effective Date (and each anniversary of the Effective Date thereafter), the term of this Agreement shall automatically be extended for one (1) additional year, unless at least ninety (90) days prior to such date, the Company or the Executive shall give written notice to the other party that it or he, as the case may be, does not wish to so extend this Agreement. Notwithstanding the foregoing, if the Company gives such written notice to the Executive (i) at a time when Sempra Energy is a party to an agreement that, if consummated, would constitute a Change in Control or (ii) less than two (2) years after a Change in Control, the term of this Agreement shall be automatically extended until the later of (X) the date that is one (1) year after the anniversary of the Effective Date that follows such written notice or (Y) the second (2nd) anniversary of the Change in Control Date.

(k) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, Sempra Energy have caused this Agreement to be executed as of the day and year first above written.

SEMPRA ENERGY

/s/ Randall L. Clark

Randall L. Clark
Senior Vice President and Chief Human Resources Officer

May 7, 2020

Date

EXECUTIVE

/s/ Caroline A. Winn

Caroline A. Winn
Chief Operating Officer - San Diego Gas and Electric

May 7, 2020

Date

GENERAL RELEASE

This GENERAL RELEASE (the "Agreement"), dated _____, is made by and between _____, a California corporation (the "Company") and _____ ("you" or "your").

WHEREAS, you and the Company have previously entered into that certain Severance Pay Agreement dated _____, 20__ (the "Severance Pay Agreement"); and

WHEREAS, your right to receive certain severance pay and benefits pursuant to the terms of Section 4 or 5 of the Severance Pay Agreement, as applicable, is subject to and conditioned upon your execution and non-revocation of a general release of claims by you against the Company and its subsidiaries and affiliates.

WHEREAS, your right to receive the Consulting Payment provided pursuant to Section 14(e) of the Severance Pay Agreement is subject to and conditioned upon your execution and non-revocation of a general release of claims by you against the Company and its subsidiaries and affiliates; and your adherence to the covenants described under Section 14 of the Severance Pay Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, you and the Company hereby agree as follows:

ONE: Your signing of this Agreement confirms that your employment with the Company shall terminate at the close of business on _____, or earlier upon our mutual agreement. This Agreement is not a condition of employment or continued employment or a condition of receiving a raise or a bonus.

TWO: As a material inducement for the payment of the severance and benefits of the Severance Pay Agreement, and except as otherwise provided in this Agreement, you and the Company hereby irrevocably and unconditionally release, acquit and forever discharge the other from any and all Claims either may have against the other. For purposes of this Agreement and the preceding sentence, the words "Releasee" or "Releasees" and "Claim" or "Claims" shall have the meanings set forth below:

(a) The words "Releasee" or "Releasees" shall refer to you and to the Company and each of the Company's owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, advisors, parent companies, divisions, subsidiaries, affiliates (and agents, directors, officers, employees, representatives, attorneys and advisors of such parent companies, divisions, subsidiaries and affiliates) and all persons acting by, through, under or in concert with any of them.

(b) The words "Claim" or "Claims" shall refer to any charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of

action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, which you or the Company now, in the past or, in the future may have, own or hold against any of the Releasees; *provided, however*, that the word "Claim" or "Claims" shall not refer to any charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) arising under [*identify severance, employee benefits, stock option, indemnification and D&O and other agreements containing duties, rights obligations etc. of either party that are to remain operative*]. Claims released pursuant to this Agreement by you and the Company include, but are not limited to, rights arising out of alleged violations of any contracts, express or implied, any tort, claim, any claim that you failed to perform or negligently performed or breached your duties during employment at the Company, any legal restrictions on the Company's right to terminate employment relationships; and any federal, state or other governmental statute, regulation, or ordinance, governing the employment relationship including, without limitation, all state and federal laws and regulations prohibiting discrimination based on protected categories, and all state and federal laws and regulations prohibiting retaliation against employees for engaging in protected activity or legal off-duty conduct. This release does not extend to claims for workers' compensation or other claims which by law may not be waived or released by this Agreement.

THREE: You and the Company expressly waive and relinquish all rights and benefits afforded by any statute (including but not limited to Section 1542 of the Civil Code of the State of California and analogous laws of other states) which limits the effect of a release with respect to unknown claims. You and the Company do so understanding and acknowledging the significance of the release of unknown claims and the waiver of statutory protection against a release of unknown claims (including but not limited to Section 1542). Section 1542 of the Civil Code of the State of California states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Thus, notwithstanding the provisions of Section 1542 or of any similar statute, and for the purpose of implementing a full and complete release and discharge of the Releasees, you and the Company expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all Claims which are known and all Claims which you or the Company do not know or suspect to exist in your or the Company's favor at the time of execution of this Agreement and that this Agreement contemplates the extinguishment of all such Claims.

FOUR: The parties acknowledge that they might hereafter discover facts different from, or in addition to, those they now know or believe to be true with respect to a Claim or Claims released herein, and they expressly agree to assume the risk of possible discovery of

additional or different facts, and agree that this Agreement shall be and remain effective, in all respects, regardless of such additional or different discovered facts.

FIVE: As a further material inducement to the Company to enter into this Agreement, you hereby agree to indemnify and hold each of the Releasees harmless from all loss, costs, damages, or expenses, including without limitation, attorneys' fees incurred by the Releasees, arising out of any breach of this Agreement by you or the fact that any representation made in this Agreement by you was false when made.

As a further material inducement to you to enter into this Agreement, the Company hereby agrees to indemnify and hold each of the Releasees harmless from all loss, costs, damages, or expenses, including without limitation, attorneys' fees incurred by the Releasees, arising out of any breach of this Agreement by it or the fact that any representation made in this Agreement by it was knowingly false when made.

SIX: You and the Company represent and acknowledge that in executing this Agreement, neither is relying upon any representation or statement not set forth in this Agreement or the Severance Agreement.

SEVEN:

(a) This Agreement shall not in any way be construed as an admission by the Company that it has acted wrongfully with respect to you or any other person, or that you have any rights whatsoever against the Company, and the Company specifically disclaims any liability to or wrongful acts against you or any other person, on the part of itself, its employees or its agents. This Agreement shall not in any way be construed as an admission by you that you have acted wrongfully with respect to the Company, or that you failed to perform your duties or negligently performed or breached your duties, or that the Company had good cause to terminate your employment.

(b) If you are a party or are threatened to be made a party to any proceeding by reason of the fact that you were an officer or director of the Company, the Company shall indemnify you against any expenses (including reasonable attorneys' fees; *provided*, that counsel has been approved by the Company prior to retention, which approval shall not be unreasonably withheld), judgments, fines, settlements and other amounts actually or reasonably incurred by you in connection with that proceeding; *provided, further*, that you acted in good faith and in a manner you reasonably believed to be in the best interest of the Company. The limitations of Section 317 of the Corporations Code of the State of California shall apply to this assurance of indemnification.

(c) You agree to cooperate with the Company and its designated attorneys, representatives and agents in connection with any actual or threatened judicial, administrative or other legal or equitable proceeding in which the Company is or may become involved. Upon reasonable notice, you agree to meet with and provide to the Company or its designated attorneys, representatives or agents all information and knowledge you have relating

to the subject matter of any such proceeding. The Company agrees to reimburse you for any reasonable costs you incur in providing such cooperation.

EIGHT: This Agreement is entered into in California and shall be governed by substantive California law, except as provided in this section. If any dispute arises between you and the Company, including but not limited to, disputes relating to this Agreement, or if you prosecute a claim you purported to release by means of this Agreement (“Arbitrable Dispute”), you and the Company agree to resolve that Arbitrable Dispute through final and binding arbitration under this section. You also agree to arbitrate any Arbitrable Dispute which also involves any other released party who offers or agrees to arbitrate the dispute under this section. Your agreement to arbitrate applies, for example, to disputes about the validity, interpretation, or effect of this Agreement or alleged violations of it, claims of discrimination under federal or state law, or other statutory violation claims.

As to any Arbitrable Dispute, you and the Company waive any right to a jury trial or a court bench trial. You and the Company also waive the right to bring, maintain, or participate in any class, collective, or representative proceeding, whether in arbitration or otherwise. Further, Arbitrable Disputes must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis.

Arbitration shall take place in San Diego, California under the employment dispute resolution rules of the Judicial Arbitration and Mediation Service, (or, if you are employed outside of California at the time of the termination of your employment, at the nearest location of the American Arbitration Association (“AAA”) and in accordance with the AAA rules), before an experienced employment arbitrator selected in accordance with those rules. The arbitrator may not modify or change this Agreement in any way. The Company will be responsible for paying any filing fee and the fees and costs of the Arbitrator; provided, however, that if you are the party initiating the claim, you will contribute an amount equal to the filing fee to initiate a claim in the court of general jurisdiction in the state in which you are employed by the Company. Each party shall pay for its own costs and attorneys’ fees, if any. However if any party prevails on a statutory claim which affords the prevailing party attorneys’ fees and costs, or if there is a written agreement providing for attorneys’ fees and/or costs, the Arbitrator may award reasonable attorney’s fees and/or costs to the prevailing party, applying the same standards a court would apply under the law applicable to the claim. The Arbitrator shall apply the Federal Rules of Evidence and shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Federal Arbitration Act shall govern the arbitration and shall govern the interpretation or enforcement of this section or any arbitration award. The arbitrator will not have the authority to consider, certify, or hear an arbitration as a class action, collective action, or any other type of representative action.

To the extent that the Federal Arbitration Act is inapplicable, California law pertaining to arbitration agreements shall apply. Arbitration in this manner shall be the exclusive remedy for any Arbitrable Dispute. Except as prohibited by the Age Discrimination in Employment Act of 1967, as amended, should you or the Company attempt to resolve an

Arbitrable Dispute by any method other than arbitration pursuant to this section, the responding party will be entitled to recover from the initiating party all damages, expenses, and attorneys' fees incurred as a result of this breach. This Section EIGHT supersedes any existing arbitration agreement between the Company and me as to any Arbitrable Dispute. Notwithstanding anything in this Section EIGHT to the contrary, a claim for benefits under an Employee Retirement Income Security Act of 1974, as amended, covered plan shall not be an Arbitrable Dispute.

NINE: Both you and the Company understand that this Agreement is final and binding eight (8) days after its execution and return. Should you nevertheless attempt to challenge the enforceability of this Agreement as provided in Section EIGHT or, in violation of that section, through litigation, as a further limitation on any right to make such a challenge, you shall initially tender to the Company, by certified check delivered to the Company, all monies received pursuant to Section 4 or 5 of the Severance Pay Agreement, as applicable, plus interest, and invite the Company to retain such monies and agree with you to cancel this Agreement and void the Company's obligations under the Severance Pay Agreement. In the event the Company accepts this offer, the Company shall retain such monies and this Agreement shall be canceled and the Company shall have no obligation under Section 14(e) of the Severance Pay Agreement. In the event the Company does not accept such offer, the Company shall so notify you and shall place such monies in an interest-bearing escrow account pending resolution of the dispute between you and the Company as to whether or not this Agreement and the Company's obligations under the Severance Pay Agreement shall be set aside and/or otherwise rendered voidable or unenforceable. Additionally, any consulting agreement then in effect between you and the Company shall be immediately rescinded with no requirement of notice.

TEN: Any notices required to be given under this Agreement shall be delivered either personally or by first class United States mail, postage prepaid, addressed to the respective parties as follows:

To Company: [TO COME]

Attn: [TO COME]

To You: _____

ELEVEN: You understand and acknowledge that you have been given a period of forty-five (45) days to review and consider this Agreement (as well as certain data on other persons eligible for similar benefits, if any) before signing it and may use as much of this forty-five (45) day period as you wish prior to signing. You are encouraged, at your personal expense, to consult with an attorney before signing this Agreement. You understand and acknowledge that whether or not you do so is your decision. You may revoke this Agreement within seven (7) days of signing it. If you wish to revoke, the Company's Vice President, Human Resources must receive written notice from you no later than the close of business on the seventh (7th) day after you have signed the Agreement. If revoked, this Agreement shall not be effective and

enforceable, and you will not receive payments or benefits under Section 4 or 5 of the Severance Pay Agreement, as applicable.

TWELVE: This Agreement constitutes the entire agreement of the parties hereto and supersedes any and all other agreements (except the Severance Pay Agreement) with respect to the subject matter of this Agreement, whether written or oral, between you and the Company. All modifications and amendments to this Agreement must be in writing and signed by the parties.

THIRTEEN: Each party agrees, without further consideration, to sign or cause to be signed, and to deliver to the other party, any other documents and to take any other action as may be necessary to fulfill the obligations under this Agreement.

FOURTEEN: If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or application; and to this end the provisions of this Agreement are declared to be severable.

FIFTEEN: This Agreement may be executed in counterparts.

I have read the foregoing General Release, and I accept and agree to the provisions it contains and hereby execute it voluntarily and with full understanding of its consequences. I am aware it includes a release of all known or unknown claims.

DATED: _____

DATED: _____

You acknowledge that you first received this Agreement on [date].

**SEMPRA ENERGY
SEVERANCE PAY AGREEMENT**

THIS AGREEMENT (this “Agreement”), dated as of January 1, 2020 (the “Effective Date”), is made by and between SEMPra ENERGY, a California corporation (“Sempra Energy”), and Jimmie I. Cho (the “Executive”).

WHEREAS, the Executive is currently employed by Sempra Energy or another corporation or trade or business which is a member of a controlled group of corporations (within the meaning of Section 414(b) or (c) of the Code) of which Sempra Energy is a component member, determined by applying an ownership threshold of 50% rather than 80% (Sempra Energy and such other controlled group members, collectively, the “Company”);

WHEREAS, Sempra Energy and the Executive desire to enter into this Agreement; and

WHEREAS, the Board of Directors of Sempra Energy (the “Board”) or an authorized committee thereof has authorized this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, Sempra Energy and the Executive hereby agree as follows:

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

“AAA” has the meaning assigned thereto in Section 13(c) hereof.

“Accounting Firm” has the meaning assigned thereto in Section 8(e) hereof.

“Accrued Obligations” means the sum of (a) the Executive’s Annual Base Salary through the Date of Termination to the extent not theretofore paid, (b) an amount equal to any annual Incentive Compensation Awards earned with respect to fiscal years ended prior to the year that includes the Date of Termination to the extent not theretofore paid, (c) any accrued and unpaid vacation, and (d) reimbursement for unreimbursed business expenses, if any, properly incurred by the Executive in the performance of his duties in accordance with Company policies applicable to the Executive from time to time, in each case to the extent not theretofore paid.

“Affiliate” has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act.

“Annual Base Salary” means the Executive’s annual base salary from the Company.

“Asset Purchaser” has the meaning assigned thereto in Section 16(e).

“Asset Sale” has the meaning assigned thereto in Section 16(e).

“Average Annual Bonus” means the average of the annual bonuses from the Company earned by the Executive with respect to the three (3) fiscal years of Sempra Energy ending immediately preceding the Date of Termination (the “Bonus Fiscal Years”); *provided, however*, that, if the Executive was employed by the Company for less than three (3) Bonus Fiscal Years, “Average Annual Bonus” means the average of the annual bonuses (if any) from the Company earned by the Executive with respect to the Bonus Fiscal Years during which the Executive was employed by the Company; and, *provided, further*, that, if the Executive was not employed by the Company during any of the Bonus Fiscal Years, “Average Annual Bonus” means zero (\$0).

“Cause” means:

(a) Prior to a Change in Control, (i) the willful failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness), (ii) the grossly negligent performance of such obligations referenced in clause (i) of this definition, (iii) the Executive’s gross insubordination; and/or (iv) the Executive’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this subsection (a), no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interests of the Company.

(b) From and after a Change in Control (or in connection with a termination occurring pursuant to Section 5(g)), (i) the willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness or other than any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 2 hereof and after the Company’s cure period relating to the event on which Good Reason is based, if any and if applicable, has expired) and/or (ii) the Executive’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this subsection (b), no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interests of the Company. Notwithstanding the foregoing, the Executive shall not be deemed terminated for Cause pursuant to clause (i) of this subsection (b) unless and until the Executive shall have been provided with reasonable notice of and, if possible, a reasonable opportunity to cure the facts and circumstances claimed to provide a basis for termination of the Executive’s employment for Cause.

“Change in Control” shall be deemed to have occurred on the date that a change in the ownership of Sempra Energy, a change in the effective control of Sempra Energy, or a change in the ownership of a substantial portion of assets of Sempra Energy occurs (each, as defined in subsection (a) below), except as otherwise provided in subsections (b), (c) and (d) below:

(a) (i) a “change in the ownership of Sempra Energy” occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of Sempra Energy that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of Sempra Energy,

(ii) a “change in the effective control of Sempra Energy” occurs only on either of the following dates:

(A) the date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Sempra Energy possessing thirty percent (30%) or more of the total voting power of the stock of Sempra Energy, or

(B) the date a majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of appointment or election, and

(iii) a “change in the ownership of a substantial portion of assets of Sempra Energy” occurs on the date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from Sempra Energy that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of Sempra Energy immediately before such acquisition or acquisitions.

(b) A “change in the ownership of Sempra Energy” or “a change in the effective control of Sempra Energy” shall not occur under clause (a)(i) or (ii) by reason of any of the following:

(i) an acquisition of ownership of stock of Sempra Energy directly from Sempra Energy or its Affiliates other than in connection with the acquisition by Sempra Energy or its Affiliates of a business,

(ii) a merger or consolidation which would result in the voting securities of Sempra Energy outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least sixty percent (60%) of the combined voting power of the securities of Sempra Energy or

such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or

(iii) a merger or consolidation effected to implement a recapitalization of Sempra Energy (or similar transaction) in which no Person is or becomes the “beneficial owner” (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of Sempra Energy (not including the securities beneficially owned by such Person any securities acquired directly from Sempra Energy or its Affiliates other than in connection with the acquisition by Sempra Energy or its Affiliates of a business) representing twenty percent (20%) or more of the combined voting power of Sempra Energy’s then outstanding securities.

(c) A “change in the ownership of a substantial portion of assets of Sempra Energy” shall not occur under clause (a)(iii) by reason of a sale or disposition by Sempra Energy of the assets of Sempra Energy to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by shareholders of Sempra Energy in substantially the same proportions as their ownership of Sempra Energy immediately prior to such sale.

(d) This definition of “Change in Control” shall be limited to the definition of a “change in control event” with respect to the Executive and relating to Sempra Energy under Treasury Regulation Section 1.409A-3(i)(5).

“Change in Control Date” means the date on which a Change in Control occurs.

“Code” means the Internal Revenue Code of 1986, as amended.

“Compensation Committee” means the compensation committee of the Board.

“Consulting Payment” has the meaning assigned thereto in Section 14(e) hereof.

“Consulting Period” has the meaning assigned thereto in Section 14(f) hereof.

“Date of Termination” has the meaning assigned thereto in Section 2(b) hereof.

“Disability” has the meaning set forth in the long-term disability plan or its successor maintained by the Company entity that is the employer of the Executive; *provided, however*, that the Executive’s employment hereunder may not be terminated by reason of Disability unless (a) at the time of such termination there is no reasonable expectation that the Executive will return to work within the next ninety (90) day period and (b) such termination is permitted by all applicable disability laws.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the applicable rulings and regulations thereunder.

“Excise Tax” has the meaning assigned thereto in Section 8(a) hereof.

“Good Reason” means:

(a) Prior to a Change in Control, the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected by the Company prior to the Date of Termination specified in the Notice of Termination (as required under Section 2 hereof):

(i) the assignment to the Executive of any duties materially inconsistent with the range of duties and responsibilities appropriate to a senior executive within the Company (such range determined by reference to past, current and reasonable practices within the Company);

(ii) a material reduction in the Executive’s overall standing and responsibilities within the Company, but not including (A) a mere change in title or (B) a transfer within the Company, which, in the case of both (A) and (B), does not adversely affect the Executive’s overall status within the Company;

(iii) a material reduction by the Company in the Executive’s aggregate annualized compensation and benefits opportunities, except for across-the-board reductions (or modifications of benefit plans) similarly affecting all similarly situated executives of the Company of comparable rank with the Executive;

(iv) the failure by the Company to pay to the Executive any portion of the Executive’s current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive’s employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof;

(vi) the failure by Sempra Energy to perform its obligations under Section 16(c) or (d) hereof;

(vii) the failure by the Company to provide the indemnification and D&O insurance protection Section 10 of this Agreement requires it to provide; or

(viii) the failure by Sempra Energy (or any of the entities comprising the Company, as applicable) to comply with any material provision of this Agreement.

(b) From and after a Change in Control (or in connection with a termination occurring pursuant to Section 5(g)), the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected by the Company prior to the Date of Termination specified in the Notice of Termination (as required under Section 2 hereof):

(i) an adverse change in the Executive’s title, authority, duties, responsibilities or reporting lines as in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Executive's aggregate annualized compensation opportunities, except for across-the-board reductions in base salaries, annual bonus opportunities or long-term incentive compensation opportunities of less than ten percent (10%) similarly affecting all similarly situated executives (including, if applicable, of the Person then in control of Sempra Energy) of comparable rank with the Executive; or the failure by the Company to continue in effect any material benefit plan in which the Executive participates immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(iii) the relocation of the Executive's principal place of employment immediately prior to the Change in Control Date (the "Principal Location") to a location which is both further away from the Executive's residence and more than thirty (30) miles from such Principal Location, or the Company's requiring the Executive to be based anywhere other than such Principal Location (or permitted relocation thereof), or a substantial increase in the Executive's business travel obligations outside of the Southern California area as of immediately prior to the Change in Control (without regard to any changes therein in anticipation of the Change in Control) other than any such increase that (A) arises in connection with extraordinary business activities of the Company of limited duration and (B) is understood not to be part of the Executive's regular duties with the Company;

(iv) the failure by the Company to pay to the Executive any portion of the Executive's current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof;

(vi) the failure by Sempra Energy to perform its obligations under Section 16(c) or (d) hereof;

(vii) the failure by the Company to provide the indemnification and D&O insurance protection Section 10 of this Agreement requires it to provide; or

(viii) the failure by Sempra Energy (or any of the entities comprising the Company, as applicable) to comply with any material provision of this Agreement.

Following a Change in Control, the Executive's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is deemed to be unreasonable by an arbitrator pursuant to the procedure described in Section 13 hereof. The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's

continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

“Incentive Compensation Awards” means awards granted under Incentive Compensation Plans providing the Executive with the opportunity to earn, on a year-by-year basis, annual and long-term incentive compensation.

“Incentive Compensation Plans” means annual incentive compensation plans and long-term incentive compensation plans of the Company, which long-term incentive compensation plans may include plans offering stock options, restricted stock and other long-term incentive compensation.

“Involuntary Termination” means (a) the Executive’s Separation from Service by reason other than for Cause, death, Disability, or Mandatory Retirement, or (b) the Executive’s Separation from Service by reason of resignation of employment for Good Reason.

“JAMS” has the meaning assigned thereto in Section 13(c) hereof.

“Mandatory Retirement” means termination of employment pursuant to the Company’s mandatory retirement policy.

“Medical Continuation Benefits” has the meaning assigned thereto in Section 4(c) hereof.

“Notice of Termination” has the meaning assigned thereto in Section 2(a) hereof.

“Payment” has the meaning assigned thereto in Section 8(a) hereof.

“Payment in Lieu of Notice” has the meaning assigned thereto in Section 2(b) hereof.

“Person” means any person, entity or “group” within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, except that such term shall not include (a) Sempra Energy or any of its Affiliates, (b) a trustee or other fiduciary holding securities under an employee benefit plan of Sempra Energy or any of its Affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, (d) a corporation owned, directly or indirectly, by the shareholders of Sempra Energy in substantially the same proportions as their ownership of stock of Sempra Energy, or (e) a “person” or “group” as used in Rule 13d-1(b) under the Exchange Act.

“Post-Change in Control Severance Payment” has the meaning assigned thereto in Section 5 hereof.

“Pre-Change in Control Severance Payment” has the meaning assigned thereto in Section 4 hereof.

“Principal Location” has the meaning assigned thereto in clause (b)(iii) of the definition of Good Reason, above.

“Proprietary Information” has the meaning assigned thereto in Section 14(a) hereof.

“Pro Rata Bonus” means a severance amount equal to the greater of (a) the Executive's Target Bonus as in effect immediately prior to the Change in Control or on the Date of Termination, whichever is greater, or (b) the Executive's Average Annual Bonus, multiplied by a fraction, (X) the numerator of which shall be the number of days from the beginning of such fiscal year to and including the Date of Termination and (Y) the denominator of which shall be three hundred sixty-five (365).

“Release” has the meaning assigned thereto in Section 4 hereof. The Release is not a condition of employment or continued employment or a condition of receiving a raise or a bonus.

“Section 409A Payments” means any payments under this Agreement which are subject to Section 409A of the Code.

“Sempra Energy Control Group” means Sempra Energy and all persons with whom Sempra Energy would be considered a single employer under Section 414(b) or (c) of the Code, as determined from time to time.

“Separation from Service” has the meaning set forth in Treasury Regulation Section 1.409A-1(h).

“SERP” has the meaning assigned thereto in Section 5(b) hereof.

“Specified Employee” shall be determined in accordance with Section 409A(a)(2)(B)(i) of the Code and Treasury Regulation Section 1.409A-1(i).

“Target Bonus” means, for any year, the target annual bonus from the Company that may be earned by the Executive for such year (regardless of the actual annual bonus earned, if any); *provided, however*, that if, as of the Date of Termination, a target annual bonus has not been established for the Executive for the year in which the Date of Termination occurs, the “Target Bonus” as of the Date of Termination shall be equal to the target annual bonus, if any, for the immediately preceding fiscal year of Sempra Energy.

For purposes of this Agreement, references to any “Treasury Regulation” shall mean such Treasury Regulation as in effect on the date hereof.

Section 2. Notice and Date of Termination.

(a) Any termination of the Executive's employment by the Company or by the Executive shall be communicated by a written notice of termination to the other party (the “Notice of Termination”). Where applicable, the Notice of Termination shall indicate the

specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Unless the Board or a committee thereof, in writing, provides a longer notice period, a Notice of Termination by the Executive alleging a termination for Good Reason must be made within one hundred eighty (180) days of the act or failure to act that the Executive alleges to constitute Good Reason.

(b) The date of the Executive's termination of employment with the Company (the "Date of Termination") shall be determined as follows: (i) if the Executive's Separation from Service is at the volition of the Company, then the Date of Termination shall be the date specified in the Notice of Termination (which, in the case of a termination by the Company other than for Cause, shall not be less than two (2) weeks from the date such Notice of Termination is given unless the Company elects to pay the Executive, in addition to any other amounts payable hereunder, an amount (the "Payment in Lieu of Notice") equal to two (2) weeks of the Executive's Annual Base Salary in effect on the Date of Termination), and (ii) if the Executive's Separation from Service is by the Executive for Good Reason, the Date of Termination shall be determined by the Executive and specified in the Notice of Termination, but in no event be less than fifteen (15) days nor more than sixty (60) days after the date such Notice of Termination is given. The Payment in Lieu of Notice shall be paid on such date as is required by law, but no later than thirty (30) days after the date of the Executive's Separation from Service.

Section 3. Termination from the Board. Upon the termination of the Executive's employment for any reason, the Executive's membership on the Board, the board of directors of any Affiliates of Sempra Energy, any committees of the Board and any committees of the board of directors of any of the Affiliates of Sempra Energy, if applicable, shall be automatically terminated and the Executive agrees to take any and all actions (including resigning) required by Sempra Energy or any of its Affiliates to evidence and effect such termination of membership.

Section 4. Severance Benefits upon Involuntary Termination Prior to Change in Control. Except as provided in Sections 5(g) and 19(i) hereof, in the event of the Involuntary Termination of the Executive prior to a Change in Control, Sempra Energy shall, or shall cause one of its Affiliates that is the employer of the Executive to, pay the Executive, in one lump sum cash payment, an amount (the “Pre-Change in Control Severance Payment”) equal to one-half (0.5) times the sum of (X) the Executive’s Annual Base Salary as in effect on the Date of Termination plus (Y) an amount equal to the greater of (I) his Average Annual Bonus or (II) the Target Bonus in effect on the Date of Termination. In addition to the Pre-Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits specified in Section 4(a) through (e). The Company’s obligation to pay the Pre-Change in Control Severance Payment or provide the benefits set forth in Section 4(c), (d) and (e) is subject to and conditioned upon the Executive executing a release of all claims substantially in the form attached hereto as Exhibit A (the “Release”) within fifty (50) days after the date of Involuntary Termination and the Executive not revoking such Release in accordance with the terms thereof. The Pre-Change in Control Severance Payment shall be paid within sixty (60) days after the date of the Involuntary Termination on such date as is determined by Sempra Energy, but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one taxable year, then the Pre-Change in Control Severance Payment shall not be made until the later taxable year.

(a) Accrued Obligations. The Company shall pay the Executive a lump sum amount in cash equal to Accrued Obligations within the time prescribed by law.

(b) Equity-Based Compensation. The Executive shall retain all rights to any equity-based compensation awards to the extent set forth in the applicable plan and/or award agreement.

(c) Welfare Benefits. Subject to the terms and conditions of this Agreement, for a period of six (6) months following the date of the Involuntary Termination (and an additional twelve (12) months if the Executive provides consulting services under Section 14(f) hereof), the Executive and his dependents shall be provided with group medical benefits which are substantially similar to those provided from time to time to similarly situated active employees of the Company (and their eligible dependents) (“Medical Continuation Benefits”). Without limiting the generality of the foregoing, such Medical Continuation Benefits shall be provided on substantially the same terms and conditions and at the same cost to the Executive as apply to similarly situated active employees of the Company. Such benefits shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(a)(5). Notwithstanding the foregoing, if Sempra Energy determines in its sole discretion that the Medical Continuation Benefits cannot be provided without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or that the provision of Medical Continuation Benefits under this Agreement would subject Sempra Energy or any of its Affiliates to a material tax or penalty, (i) the Executive shall be provided, in lieu thereof, with a taxable monthly payment in an amount equal to the monthly premium that the Executive would be required to pay to continue the Executive’s and his covered dependents’ group medical benefit coverages under COBRA as then in effect (which amount shall be based on the premiums for the

first month of COBRA coverage) or (ii) Sempra Energy shall have the authority to amend the Agreement to the limited extent reasonably necessary to avoid such violation of law or tax or penalty and shall use all reasonable efforts to provide the Executive with a comparable benefit that does not violate applicable law or subject Sempra Energy or any of its Affiliates to such tax or penalty.

(d) Outplacement Services. The Executive shall receive reasonable outplacement services, on an in-kind basis, suitable to his position and directly related to the Executive's Involuntary Termination, for a period of eighteen (18) months following the date of the Involuntary Termination, in an aggregate amount of cost to the Company not to exceed \$50,000. Notwithstanding the foregoing, the Executive shall cease to receive outplacement services on the date the Executive accepts employment with a subsequent employer. Such outplacement services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b)(9)(v)(A).

(e) Financial Planning Services. The Executive shall receive financial planning services, on an in-kind basis, for a period of eighteen (18) months following the Date of Termination. Such financial planning services shall include expert financial and legal resources to assist the Executive with financial planning needs and shall be limited to (i) current investment portfolio management, (ii) tax planning, (iii) tax return preparation, and (iv) estate planning advice and document preparation (including wills and trusts); *provided, however*, that the Company shall provide such financial planning services during any taxable year of the Executive only to the extent the cost to the Company for such taxable year does not exceed \$25,000. The Company shall provide such financial planning services through a financial planner selected by the Company, and shall pay the fees for such financial planning services. The financial planning services provided during any taxable year of the Executive shall not affect the financial planning services provided in any other taxable year of the Executive. The Executive's right to financial planning services shall not be subject to liquidation or exchange for any other benefit. Such financial planning services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv).

Section 5. Severance Benefits upon Involuntary Termination in Connection with and after Change in Control.

Notwithstanding the provisions of Section 4 above, and except as provided in Section 19(i) hereof, in the event of the Involuntary Termination of the Executive on or within two (2) years following a Change in Control, in lieu of the payments described in Section 4 above, Sempra Energy shall, or shall cause one of its Affiliates that is the employer of the Executive to, pay the Executive, in one lump sum cash payment, an amount (the "Post-Change in Control Severance Payment") equal to (a) the Pro Rata Bonus plus (b) the sum of (X) the Executive's Annual Base Salary as in effect immediately prior to the Change in Control or on the Date of Termination, whichever is greater, plus (Y) an amount equal to the greater of (I) the Executive's Target Bonus determined immediately prior to the Change in Control or the Date of Termination, whichever is greater and (II) the Executive's Average Annual Bonus. In addition to the Post-Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits specified in Section 5(a) through (f). The Company's obligation to pay the Post-Change in Control Severance Payment or provide the benefits set forth in Section 5(b), (c), (d), (e), and (f) is subject to and conditioned upon the Executive executing the Release within fifty (50) days after the date of Involuntary Termination and the Executive not revoking such Release in accordance with the terms thereof. Except as provided in Section 5(g), the Post-Change in Control Severance Payment and the payments under Section 5(b) shall be paid within sixty (60) days after the date of Involuntary Termination on such date as is determined by Sempra Energy (or its successor) but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one (1) taxable year, then the Post-Change in Control Severance Payment and the payments under Section 5(b) shall not be made until the later taxable year.

(a) Accrued Obligations. The Company shall pay the Executive a lump sum amount in cash equal to the Accrued Obligations within the time required by law and, to the extent applicable, in accordance with the applicable plan, policy or arrangement pursuant to which such payments are to be made.

(b) Pension Supplement. The Executive shall be entitled to receive a "Supplemental Retirement Benefit" under the Sempra Energy Supplemental Executive Retirement Plan, as in effect from time to time ("SERP"), determined in accordance with this Section 5(c), in the event that the Executive is a "Participant" (as defined in the SERP) as of the Date of Termination. Such Supplemental Retirement Benefit shall be determined by crediting the Executive with additional months of "Service" (as defined in the SERP) (if any) equal to the number of full calendar months from the Date of Termination to the date on which the Executive would have attained age sixty-two (62). The Executive shall be entitled to receive such Supplemental Retirement Benefit without regard to whether the Executive has attained age fifty-five (55) or completed five (5) years of Service as of the Date of Termination. The Executive shall be treated as qualified for "Retirement" (as defined in the SERP) as of the Date of Termination, and the Executive's "Vesting Factor" with respect to the Supplemental Retirement Benefit shall be one hundred percent (100%). The Executive's Supplemental Retirement Benefit shall be calculated based on the Executive's actual age as of the date of commencement of payment of such Supplemental Retirement Benefit (the "SERP Distribution Date"), and by applying the applicable early retirement factors under the SERP, if the Executive has not attained

age sixty-two (62) but has attained age fifty-five (55) as of the SERP Distribution Date. If the Executive has not attained age fifty-five (55) as of the SERP Distribution Date, the Executive's Supplemental Retirement Benefit shall be calculated by applying the applicable early retirement factor under the SERP for age fifty-five (55), and the Supplemental Retirement Benefit otherwise payable at age fifty-five (55) shall be actuarially adjusted to the Executive's actual age as of the SERP Distribution Date using the following actuarial assumptions: (i) the applicable mortality table promulgated by the Internal Revenue Service under Section 417(e)(3) of the Code, as in effect on the first (1st) day of the calendar year in which the SERP Distribution Date occurs, and (ii) the applicable interest rate promulgated by the Internal Revenue Service under Section 417(e)(3) of the Code for the November next preceding the first day of the calendar year in which the SERP Distribution Date occurs. The Executive's Supplemental Retirement Benefit shall be determined in accordance with this Section 5(b), notwithstanding any contrary provisions of the SERP and, to the extent subject to Section 409A of the Code, shall be paid in accordance with Treasury Regulation Section 1.409A-3(c)(1). The Supplemental Retirement Benefit paid to or on behalf of the Executive in accordance with this Section 5(b) shall be in full satisfaction of any and all of the benefits payable to or on behalf of the Executive under the SERP.

(c) Equity-Based Compensation. Notwithstanding the provisions of any applicable equity-based compensation plan or award agreement to the contrary, all equity-based Incentive Compensation Awards (including, without limitation, stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance share awards, awards covered under Section 162(m) of the Code, and dividend equivalents) held by the Executive shall immediately vest and become exercisable or payable, as the case may be, as of the Date of Termination, to be exercised or paid, as the case may be, in accordance with the terms of the applicable Incentive Compensation Plan and Incentive Compensation Award agreement, and any restrictions on any such Incentive Compensation Awards shall automatically lapse; *provided, however*, that, in the case of any stock option or stock appreciation rights awards granted on or after June 26, 1998 that remain outstanding on the Date of Termination, such stock options or stock appreciation rights shall remain exercisable until the earlier of (i) the later of eighteen (18) months following the Date of Termination or the period specified in the applicable Incentive Compensation Award agreement or (ii) the expiration of the original term of such Incentive Compensation Award (or, if earlier, the tenth (10th) anniversary of the original date of grant) (it being understood that all Incentive Compensation Awards granted prior to, on or after June 26, 1998 shall remain outstanding and exercisable for a period that is no less than that provided for in the applicable agreement in effect as of the date of grant).

(d) Welfare Benefits. Subject to the terms and conditions of this Agreement, for a period of twelve (12) months following the date of Involuntary Termination (and an additional twelve (12) months if the Executive provides consulting services under Section 14(f) hereof), the Executive and his dependents shall be provided with life, disability, accident and group medical benefits which are substantially similar to those provided to the Executive and his dependents immediately prior to the date of Involuntary Termination or the Change in Control Date, whichever is more favorable to the Executive. Without limiting the generality of the foregoing, the continuing benefits described in the preceding sentence shall be provided on

substantially the same terms and conditions and at the same cost to the Executive as in effect immediately prior to the date of Involuntary Termination or the Change in Control Date, whichever is more favorable to the Executive. Such benefits shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(a)(5). Notwithstanding the foregoing, if Sempra Energy determines in its sole discretion that the portion of the foregoing continuing benefits that constitute group medical benefits cannot be provided without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or that the provision of such group medical benefits under this Agreement would subject Sempra Energy or any of its Affiliates to a material tax or penalty, (i) the Executive shall be provided, in lieu thereof, with a taxable monthly payment in an amount equal to the monthly premium that the Executive would be required to pay to continue the Executive's and his covered dependents' group medical benefit coverages under COBRA as then in effect (which amount shall be based on the premiums for the first month of COBRA coverage) or (ii) Sempra Energy shall have the authority to amend the Agreement to the limited extent reasonably necessary to avoid such violation of law or tax or penalty and shall use all reasonable efforts to provide the Executive with a comparable benefit that does not violate applicable law or subject Sempra Energy or any of its Affiliates to such tax or penalty.

(e) Outplacement Services. The Executive shall receive reasonable outplacement services, on an in-kind basis, suitable to his position and directly related to the Executive's Involuntary Termination, for a period of twenty-four (24) months following the date of Involuntary Termination (but in no event beyond the last day of the Executive's second (2nd) taxable year following the Executive's taxable year in which the Involuntary Termination occurs), in the aggregate amount of cost to the Company not to exceed \$50,000. Notwithstanding the foregoing, the Executive shall cease to receive outplacement services on the date the Executive accepts employment with a subsequent employer. Such outplacement services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b)(9)(v)(A).

(f) Financial Planning Services. The Executive shall receive financial planning services, on an in-kind basis, for a period of twenty-four (24) months following the date of Involuntary Termination. Such financial planning services shall include expert financial and legal resources to assist the Executive with financial planning needs and shall be limited to (i) current investment portfolio management, (ii) tax planning, (iii) tax return preparation, and (iv) estate planning advice and document preparation (including wills and trusts); *provided, however*, that the Company shall provide such financial services during any taxable year of the Executive only to the extent the cost to the Company for such taxable year does not exceed \$25,000. The Company shall provide such financial planning services through a financial planner selected by the Company, and shall pay the fees for such financial planning services. The financial planning services provided during any taxable year of the Executive shall not affect the financial planning services provided in any other taxable year of the Executive. The Executive's right to financial planning services shall not be subject to liquidation or exchange for any other benefit. Such financial planning services shall be provided in a manner that complies with Section 1.409A-3(i)(1)(iv).

(g) Involuntary Termination in Connection with a Change in Control. Notwithstanding anything contained herein, in the event of an Involuntary Termination prior to a Change in Control, if the Involuntary Termination (i) was at the request of a third party who has taken steps reasonably calculated to effect such Change in Control or (ii) otherwise arose in connection with or in anticipation of such Change in Control, then the Executive shall, in lieu of the payments described in Section 4 hereof, be entitled to the Post-Change in Control Severance Payment and the additional benefits described in this Section 5 as if such Involuntary Termination had occurred within two (2) years following the Change in Control. The amounts specified in Section 5 that are to be paid under this Section 5(g) shall be reduced by any amount previously paid under Section 4. The amounts to be paid under this Section 5(g) shall be paid within sixty (60) days after the Change in Control Date of such Change in Control.

Section 6. Severance Benefits upon Termination by the Company for Cause or by the Executive Other than for Good Reason. If the Executive's employment shall be terminated for Cause, or if the Executive terminates employment other than for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the pre-Change in Control Accrued Obligations and any amounts or benefits described in Section 10 hereof.

Section 7. Severance Benefits upon Termination due to Death or Disability. If the Executive has a Separation from Service by reason of death or Disability, the Company shall pay the Executive or his estate, as the case may be, the Accrued Obligations and a severance amount equal to the Pro Rata Bonus (without regard to whether a Change in Control has occurred) and any amounts or benefits described in Section 10 hereof. Such payments shall be in addition to those rights and benefits to which the Executive or his estate may be entitled under the relevant Company plans or programs. The Company's obligation to pay the severance amount pursuant to this Section 7 is conditioned upon the Executive, the Executive's representative or the Executive's estate, as the case may be executing the Release within fifty (50) days after the date of the Executive's Separation from Service and not revoking such Release in accordance with the terms thereof. The Accrued Obligations shall be paid within the time required by law and the severance amount payable pursuant to this Section 7 shall be paid within sixty (60) days after the date of the Separation from Service on such date determined by Sempra Energy but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one (1) taxable year, then the severance amount shall not be made until the later taxable year.

Section 8. Limitation on Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth in this Section 8 below, in the event it shall be determined that any payment or distribution "in the nature of compensation" (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise (the "Payment") would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code, (the "Excise Tax"), then, subject to Section 8(b), the Pre-Change in Control Severance Payment or the Post-Change in Control Severance Payment (whichever is

applicable) payable under this Agreement shall be reduced under this Section 8(a) to the amount equal to the Reduced Payment. For such Payment payable under this Agreement, the “Reduced Payment” shall be the amount equal to the greatest portion of the Payment (which may be zero (\$0)) that, if paid, would result in no portion of any Payment being subject to the Excise Tax.

(b) The Pre-Change in Control Severance Payment or the Post-Change in Control Severance Payment (whichever is applicable) payable under this Agreement shall not be reduced under Section 8(a) if:

(i) such reduction in such Payment is not sufficient to cause no portion of any Payment to be subject to the Excise Tax, or

(ii) the Net After-Tax Unreduced Payments (as defined below) would equal or exceed one hundred five percent (105%) of the Net After-Tax Reduced Payments (as defined below).

For purposes of determining the amount of any Reduced Payment under Section 8(a), and the Net-After Tax Reduced Payments and the Net After-Tax Unreduced Payments, the Executive shall be considered to pay federal, state and local income and employment taxes at the Executive’s applicable marginal rates taking into consideration any reduction in federal income taxes which could be obtained from the deduction of state and local income taxes, and any reduction or disallowance of itemized deductions and personal exemptions under applicable tax law). The applicable federal, state and local income and employment taxes and the Excise Tax (to the extent applicable) are collectively referred to as the “Taxes.”

(c) For purposes of determining the amount of any Reduced Payment under this Section 8, the amount of any Payment shall be reduced in the following order:

(i) first, by reducing the amounts of parachute payments that would not constitute deferred compensation subject to Section 409A of the Code;

(ii) next, if after the reduction described in Section 8(c)(i), additional reductions are required, then by reducing the cash portion of the Payment that constitutes “deferred compensation” (within the meaning of Section 409A) subject to Section 409A, with the reductions to be applied first to the portion of the Payment scheduled for the latest distribution date, and then applied to distributions scheduled for progressively earlier distribution dates, to the extent necessary to decrease the Payment as required under this Section 8; and

(iii) next, if after the reduction described in Section 8(c)(ii), additional reductions are required, then, by reducing the non-cash portion of the Payment that constitutes deferred compensation (within the meaning of Section 409A) subject to Section 409A, with the reductions to be applied first to the portion of the Payment scheduled for the latest distribution date, and then applied to distributions scheduled for progressively earlier distribution dates, to the extent necessary to decrease the Payment as required under this Section 8.

(d) The following definitions shall apply for purposes of this Section 8:

(i) “Net After-Tax Reduced Payments” shall mean the total amount of all Payments that the Executive would retain, on a Net After-Tax Basis, in the event that the Payments payable under this Agreement are reduced pursuant to Section 8(a).

(ii) “Net After-Tax Unreduced Payments” shall mean the total amount of all Payments that the Executive would retain, on a Net After-Tax Basis, in the event that the Payments payable under this Agreement are not reduced pursuant to Section 8(a).

(iii) “Net After-Tax Basis” shall mean, with respect to the Payments, either with or without reduction under Section 8(a) (as applicable), the amount that would be retained by the Executive from such Payments after the payment of all Taxes.

(e) All determinations required to be made under this Section 8 and the assumptions to be utilized in arriving at such determinations, shall be made by a nationally recognized accounting firm as may be agreed by the Company and the Executive (the “Accounting Firm”); *provided*, that the Accounting Firm’s determination shall be made based upon “substantial authority” within the meaning of Section 6662 of the Code. The Accounting Firm shall provide detailed supporting calculations to both the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. For purposes of determining whether and the extent to which the Payments will be subject to the Excise Tax, (i) no portion of the Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a “payment” within the meaning of Section 280G(b) of the Code shall be taken into account, (ii) no portion of the Payments shall be taken into account which, in the written opinion of the Accounting Firm, does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Payments shall be taken into account which, in the opinion of the Accounting Firm, constitutes “reasonable compensation” for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the “base amount” (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the Payments shall be determined by the Accounting Firm in accordance with the principles of Section 280G(d)(3) and (4) of the Code.

Section 9. Delayed Distribution under Section 409A of the Code. Notwithstanding any other provision of this Agreement to the contrary, if the Executive is a Specified Employee on the date of the Executive's Involuntary Termination (or on the date of the Executive's Separation from Service by reason of Disability), the Section 409A Payments which are payable upon Separation from Service shall be delayed to the extent necessary in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, and such delayed payments or benefits shall be paid or distributed to the Executive during the thirty (30) day period commencing on the earlier of (a) the expiration of the six (6) month period measured from the date of the Executive's Separation from Service or (b) the date of the Executive's death. Upon the expiration of the applicable six (6) month period, all payments deferred pursuant to this Section 9 (excluding in-kind benefits) shall be paid in a lump sum payment to the Executive, plus interest thereon from the date of the Executive's Involuntary Termination through the payment date at an annual rate equal to Moody's Rate. The "Moody's Rate" shall mean the average of the daily Moody's Corporate Bond Yield Average – Monthly Average Corporates as published by Moody's Investors Service, Inc. (or any successor) for the month next preceding the Date of Termination. Any remaining payments due under the Agreement shall be paid as otherwise provided herein.

Section 10. Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), including, without limitation, any and all indemnification arrangements in favor of the Executive (whether under agreements or under the Company's charter documents or otherwise), and insurance policies covering the Executive, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into with, the Company shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. At all times during the Executive's employment with the Company and thereafter, the Company shall provide (to the extent permissible under applicable law) the Executive with indemnification and D&O insurance insuring the Executive against insurable events which occur or have occurred while the Executive was a director or executive officer of the Company, that with respect to such insurance is on terms and conditions that, to the extent reasonably practical, are at least as generous as that then currently provided to any other current or former director or executive officer of the Company or any Affiliate. Such indemnification and D&O insurance shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b) (10).

Section 11. Clawbacks. Notwithstanding anything herein to the contrary, if Sempra Energy determines, in its good faith judgment, that if the Executive is required to forfeit or to make any repayment of any compensation or benefit(s) to the Company under the Sarbanes-Oxley Act of 2002 or pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or any other law or pursuant to any formal policy of Sempra Energy, such forfeiture or repayment shall not constitute Good Reason.

Section 12. Full Settlement; Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others, provided that nothing herein shall preclude the Company from separately pursuing recovery from the Executive based on any such claim. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

Section 13. Dispute Resolution.

(a) If any dispute arises between the Executive and Sempra Energy or any of its Affiliates, including, but not limited to, disputes relating to or arising out of this Agreement, any action relating to or arising out of the Executive's employment or its termination, and/or any disputes regarding the interpretation, enforceability, or validity of this Agreement ("Arbitrable Dispute"), the Executive and Sempra Energy waive the right to resolve the dispute through litigation in a judicial forum and agree to resolve the Arbitrable Dispute through final and binding arbitration, except as prohibited by law. Arbitration shall be the exclusive remedy for any Arbitrable Dispute.

(b) As to any Arbitrable Dispute, Sempra Energy and the Executive waive any right to a jury trial or a court bench trial. The Company and the Executive also waive the right to bring, maintain, or participate in any class, collective, or representative proceeding, whether in arbitration or otherwise. Further, Arbitrable Disputes must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis.

(c) Arbitration shall take place at the office of the Judicial Arbitration and Mediation Service ("JAMS") (or, if the Executive is employed outside of California, the American Arbitration Association ("AAA")) nearest to the location where the Executive last worked for the Company. Except to the extent it conflicts with the rules and procedures set forth in this Agreement, arbitration shall be conducted in accordance with the JAMS Employment Arbitration Rules & Procedures (if the Executive is employed outside of California, the AAA Employment Arbitration Rules & Mediation Procedures), copies of which are attached for reference and available at www.jamsadr.com; tel: 800.352.5267 and www.adr.org; tel: 800.778.7879, before a single experienced, neutral employment arbitrator selected in accordance with those rules.

(d) Sempra Energy will be responsible for paying any filing fee and the fees and costs of the arbitrator. Each party shall pay its own attorneys' fees. However, if any party prevails on a statutory claim that authorizes an award of attorneys' fees to the prevailing party, or if there is a written agreement providing for attorneys' fees, the arbitrator may award reasonable attorneys' fees to the prevailing party, applying the same standards a court would apply under the law applicable to the claim.

(e) The arbitrator shall apply the Federal Rules of Evidence, shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party, and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The arbitrator does not have the authority to consider, certify, or hear an arbitration as a class action, collective action, or any other type of representative action. Sempra Energy and the Executive recognize that this Agreement arises out of or concerns interstate commerce and that the Federal Arbitration Act shall govern the arbitration and shall govern the interpretation or enforcement of this Agreement or any arbitration award.

(f) EXECUTIVE ACKNOWLEDGES THAT BY ENTERING INTO THIS AGREEMENT, EXECUTIVE IS WAIVING ANY RIGHT HE MAY HAVE TO A TRIAL BY JURY.

Section 14. Executive's Covenants.

(a) Confidentiality. The Executive acknowledges that in the course of his employment with the Company, he has acquired non-public privileged or confidential information and trade secrets concerning the operations, future plans and methods of doing business ("Proprietary Information") of Sempra Energy and its Affiliates; and the Executive agrees that it would be extremely damaging to Sempra Energy and its Affiliates if such Proprietary Information were disclosed to a competitor of Sempra Energy and its Affiliates or to any other person or corporation. The Executive understands and agrees that all Proprietary Information has been divulged to the Executive in confidence and further understands and agrees to keep all Proprietary Information secret and confidential (except for such information which is or becomes publicly available other than as a result of a breach by the Executive of this provision or information the Executive is required by any governmental, administrative or court order to disclose) without limitation in time. In view of the nature of the Executive's employment and the Proprietary Information the Executive has acquired during the course of such employment, the Executive likewise agrees that Sempra Energy and its Affiliates would be irreparably harmed by any disclosure of Proprietary Information in violation of the terms of this Section 14(a) and that Sempra Energy and its Affiliates shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this Section 14(a) and to any other relief available to them. Inquiries regarding whether specific information constitutes Proprietary Information shall be directed to the Company's Senior Vice President, Public Policy (or, if such position is vacant, the Company's then Chief Executive Officer); *provided*, that the Company shall not unreasonably classify information as Proprietary Information.

(b) Governmental Reporting. Nothing in this Agreement is intended to interfere with or discourage the Executive's good faith disclosure related to a suspected violation of federal or state law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. The Executive cannot and will not be held criminally or civilly liable under any federal or state trade secret law for disclosing otherwise protected trade secrets and/or confidential or proprietary information so long as the disclosure is made in (i) confidence to a

federal, state, or local government official, directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) a complaint or other document filed in a lawsuit or other proceeding, so long as such filing is made under seal. The Company will not retaliate against the Executive in any way for a disclosure made pursuant to this Section 14(b). Further, in the event the Executive makes such a disclosure, and files a lawsuit against the Company alleging that the Company retaliated against the Executive because of the disclosure, the Executive may disclose the relevant trade secret or confidential information to the Executive's attorney, and may use the same in the court proceeding only if (X) the Executive ensures that any court filing that includes the trade secret or confidential information at issue is made under seal; and (Y) the Executive does not otherwise disclose the trade secret or confidential information except as required by court order.

(c) Non-Solicitation of Employees. The Executive recognizes that he possesses and will possess confidential information about other employees of Sempra Energy and its Affiliates relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with customers of Sempra Energy and its Affiliates. The Executive recognizes that the information he possesses and will possess about these other employees is not generally known, is of substantial value to Sempra Energy and its Affiliates in developing their business and in securing and retaining customers, and has been and will be acquired by him because of his business position with Sempra Energy and its Affiliates. The Executive agrees that at all times during the Executive's employment with the Company and for a period of one (1) year thereafter, he will not, directly or indirectly, solicit or recruit any employee of the Company or its Affiliates for the purpose of being employed by him or by any competitor of the Company or its Affiliates on whose behalf he is acting as an agent, representative or employee and that he will not convey any such confidential information or trade secrets about other employees of Sempra Energy and its Affiliates to any other person; *provided, however*, that it shall not constitute a solicitation or recruitment of employment in violation of this Section 14(c) to discuss employment opportunities with any employee of the Company or its Affiliates who has either first contacted the Executive or regarding whose employment the Executive has discussed with and received the written approval of the Company's most senior Vice President, Human Resources (or, if such position is vacant, the Company's then Chief Executive Officer), prior to making such solicitation or recruitment. In view of the nature of the Executive's employment with the Company, the Executive likewise agrees that Sempra Energy and its Affiliates would be irreparably harmed by any solicitation or recruitment in violation of the terms of this Section 14(c) and that Sempra Energy and its Affiliates shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this Section 14(c) and to any other relief available to them.

(d) Survival of Provisions. The obligations contained in Section 14(a), (b) and (c) above shall survive the termination of the Executive's employment within the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in Section 14(a) or (c) above is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that

such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

(e) **Release; Consulting Payment.** In the event of the Executive's Involuntary Termination, if the Executive (i) reconfirms and agrees to abide by the covenants described in Section 14(a) and (c) above, (ii) executes the Release within fifty (50) days after the date of Involuntary Termination and does not revoke such Release in accordance with the terms thereof, and (iii) agrees to provide the consulting services described in Section 14(f) below, then in consideration for such covenants and consulting services, the Company shall pay the Executive, in one (1) cash lump sum, an amount (the "Consulting Payment") in cash equal to the sum of (X) the Executive's Annual Base Salary as in effect on the Date of Termination, plus (Y) the greater of the Executive's Average Annual Bonus or the Executive's Target Bonus on the Date of Termination. Except as provided in this Section 14(e), the Consulting Payment shall be paid on such date as is determined by the Company within the ten (10) day period commencing on the sixtieth (60th) day after the date of the Executive's Involuntary Termination; *provided, however*, that if the Executive is a Specified Employee on the date of the Executive's Involuntary Termination, the Consulting Payment shall be paid as provided in Section 9 hereof to the extent required.

(f) **Consulting.** If the Executive agrees to the provisions of Section 14(e) above, then the Executive shall have the obligation to provide consulting services to the Company as an independent contractor, commencing on the Date of Termination and ending on the second (2nd) anniversary of the Date of Termination (the "Consulting Period"). The Executive shall hold himself available at reasonable times and on reasonable notice to render such consulting services as may be so assigned to him by the Board or the Company's then Chief Executive Officer; *provided, however*, that unless the parties otherwise agree, the consulting services rendered by the Executive during the Consulting Period shall not exceed twenty (20) hours each month; and, *provided, further*, that the consulting services rendered by the Executive during the Consulting Period shall in no event exceed twenty percent (20%) of the average level of services performed by the Executive for the Company over the thirty-six (36) month period immediately preceding the Executive's Separation from Service (or the full period of services to the Company, if the Executive has been providing services to the Company for less than thirty-six (36) months). The Company agrees to use its best efforts during the Consulting Period to secure the benefit of the Executive's consulting services so as to minimize the interference with the Executive's other activities, including requiring the performance of consulting services at the Company's offices only when such services may not be reasonably performed off-site by the Executive.

Section 15. Legal Fees.

(a) **Reimbursement of Legal Fees.** Subject to Section 15(b), in the event of the Executive's Separation from Service either (i) prior to a Change in Control, or (ii) on or within two (2) years following a Change in Control, the Company shall reimburse the Executive for all legal fees and expenses (including but not limited to fees and expenses in connection with any arbitration) incurred by the Executive in disputing any issue arising under this Agreement

relating to the Executive's Separation from Service or in seeking to obtain or enforce any benefit or right provided by this Agreement.

(b) Requirements for Reimbursement. The Company shall reimburse the Executive's legal fees and expenses pursuant to Section 15(a) above only to the extent the arbitrator or court determines the following: (i) the Executive disputed such issue, or sought to obtain or enforce such benefit or right, in good faith, (ii) the Executive had a reasonable basis for such claim, and (iii) in the case of Section 15(a)(i) above, the Executive is the prevailing party. In addition, the Company shall reimburse such legal fees and expenses, only if such legal fees and expenses are incurred during the twenty (20) year period beginning on the date of the Executive's Separation from Service. The legal fees and expenses paid to the Executive for any taxable year of the Executive shall not affect the legal fees and expenses paid to the Executive for any other taxable year of the Executive. The legal fees and expenses shall be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the fees or expenses are determined to be payable pursuant to this Agreement. The Executive's right to reimbursement of legal fees and expenses shall not be subject to liquidation or exchange for any other benefit. Such right to reimbursement of legal fees and expenses shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv).

Section 16. Successors.

(a) Assignment by the Executive. This Agreement is personal to the Executive and without the prior written consent of Sempra Energy shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) Successors and Assigns of Sempra Energy. This Agreement shall inure to the benefit of and be binding upon Sempra Energy and its successors and assigns. Sempra Energy may not assign this Agreement to any person or entity (except for a successor described in Section 16(c), (d) or (e) below) without the Executive's written consent.

(c) Assumption. Sempra Energy shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Sempra Energy to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities of this Agreement in the same manner and to the same extent that Sempra Energy would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement if no such succession had taken place, and Sempra Energy shall have no further obligations and liabilities under this Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to such successor.

(d) Sale of Subsidiary. In the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy that is a member of the Sempra Energy Control Group, (ii) Sempra Energy, directly or indirectly through one or more intermediaries, sells or otherwise disposes of such subsidiary, and (iii) such subsidiary ceases to be a member of the Sempra Energy Control Group, then if, on the date such subsidiary ceases to be a member of the

Sempra Energy Control Group, the Executive continues in employment with such subsidiary and the Executive does not have a Separation from Service, Sempra Energy shall require such subsidiary or any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to such subsidiary, or the parent thereof, to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities under this Agreement in the same manner and to the same extent that Sempra Energy would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement, if such subsidiary had not ceased to be part of the Sempra Energy Control Group, and, upon such assumption, Sempra Energy shall have no further obligations and liabilities under the Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to such subsidiary, or such successor or parent thereof, assuming this Agreement, and subsection (b) of the definition of “Cause” and subsection (b) of the definition of “Good Reason” shall apply thereafter, as if a Change in Control had occurred on the date of such cessation.

(e) Sale of Assets of Subsidiary. In the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy, and (ii) such subsidiary sells or otherwise disposes of substantial assets of such subsidiary to an unrelated service recipient, as determined under Treasury Regulation Section 1.409A-1(f)(2)(ii) (the “Asset Purchaser”), in a transaction described in Treasury Regulation Section 1.409A-1(h)(4) (an “Asset Sale”), then if, on the date of such Asset Sale, the Executive becomes employed by the Asset Purchaser, Sempra Energy and the Asset Purchaser may specify, in accordance with Treasury Regulation Section 1.409A-1(h)(4), that the Executive shall not be treated as having a Separation from Service, and in such event, Sempra Energy may require such Asset Purchaser, or the parent thereof, to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities under this Agreement in the same manner and to the same extent that the Company would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement, if the Asset Sale had not taken place, and, upon such assumption, Sempra Energy shall have no further obligations and liabilities under the Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to the Asset Purchaser or the parent thereof, as applicable, and subsection (b) of the definition of “Cause” and subsection (b) of the definition of “Good Reason” shall apply thereafter, as if a Change in Control had occurred on the date of the Asset Sale.

Section 17. Administration Prior to Change in Control. Prior to a Change in Control, the Compensation Committee shall have full and complete authority to construe and interpret the provisions of this Agreement, to determine an individual's entitlement to benefits under this Agreement, to make in its sole and absolute discretion all determinations contemplated under this Agreement, to investigate and make factual determinations necessary or advisable to administer or implement this Agreement, and to adopt such rules and procedures as it deems necessary or advisable for the administration or implementation of this Agreement. All determinations made under this Agreement by the Compensation Committee shall be final, conclusive and binding on all interested persons. Prior to a Change in Control, the Compensation Committee may delegate responsibilities for the operation and administration of this Agreement to one or more officers or employees of the Company. The provisions of this Section 17 shall terminate and be of no further force and effect upon the occurrence of a Change in Control.

Section 18. Compliance with Section 409A of the Code. All payments and benefits payable under this Agreement (including, without limitation, the Section 409A Payments) are intended to comply with the requirements of Section 409A of the Code. Certain payments and benefits payable under this Agreement are intended to be exempt from the requirements of Section 409A of the Code. This Agreement shall be interpreted in accordance with the applicable requirements of, and exemptions from, Section 409A of the Code and the Treasury Regulations thereunder. To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Section 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder. If the Company and the Executive determine that any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Section 409A(a)(2), (3) and (4) of the Code do not comply with Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, to the extent permitted under Section 409A of the Code, the Treasury Regulations thereunder and any applicable authority issued by the Internal Revenue Service, the Company and the Executive agree to amend this Agreement, or take such other actions as the Company and the Executive deem reasonably necessary or appropriate, to cause such compensation, benefits and other payments to comply with the requirements of Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, while providing compensation, benefits and other payments that are, in the aggregate, no less favorable than the compensation, benefits and other payments provided under this Agreement. In the case of any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Section 409A(a)(2), (3) and (4) of the Code, if any provision of the Agreement would cause such compensation, benefits or other payments to fail to so comply, such provision shall not be effective and shall be null and void with respect to such compensation, benefits or other payments to the extent such provision would cause a failure to comply, and such provision shall otherwise remain in full force and effect.

Section 19. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to its principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Except as provided herein, the Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the parties hereto. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of Sempra Energy to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by a reputable overnight carrier or by registered or certified mail, return receipt requested, postage prepaid, addressed, in either case, to the Company's headquarters or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) Taxes. The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) No Waiver. The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 1 hereof, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 1 hereof shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) Entire Agreement; Exclusive Benefit; Supersession of Prior Agreement. This Agreement contains the entire agreement of the Executive, the Company or any predecessor or subsidiary thereof with respect to any severance or termination pay. The Pre-Change in Control Severance Payment, the Post-Change in Control Severance Payment and all other benefits provided hereunder shall be in lieu of any other severance payments to which the Executive is entitled under any other severance plan or program or arrangement sponsored by the Company, as well as pursuant to any individual employment or severance agreement that was entered into by the Executive and the Company, and, upon the Effective Date of this Agreement, all such plans, programs, arrangements and agreements are hereby automatically superseded and terminated.

(g) No Right of Employment. Nothing in this Agreement shall be construed as giving the Executive any right to be retained in the employ of the Company or shall interfere

in any way with the right of the Company to terminate the Executive's employment at any time, with or without Cause.

(h) Unfunded Obligation. The obligations under this Agreement shall be unfunded. Benefits payable under this Agreement shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under this Agreement.

(i) Termination upon Sale of Assets of Subsidiary. Notwithstanding anything contained herein, this Agreement shall automatically terminate and be of no further force and effect and no benefits shall be payable hereunder in the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy, (ii) an Asset Sale (as defined in Section 16(e)) occurs (other than such a sale or disposition which is part of a transaction or series of transactions which would result in a Change in Control), and (iii) as a result of such Asset Sale, the Executive is offered employment by the Asset Purchaser in an executive position with reasonably comparable status, compensation, benefits and severance agreement (including the assumption of this Agreement in accordance with Section 16(e)) and which is consistent with the Executive's experience and education, but the Executive declines to accept such offer and the Executive fails to become employed by the Asset Purchaser on the date of the Asset Sale.

(j) Term. The term of this Agreement shall commence on the Effective Date and shall continue until the third (3rd) anniversary of the Effective Date; *provided, however*, that commencing on the second (2nd) anniversary of the Effective Date (and each anniversary of the Effective Date thereafter), the term of this Agreement shall automatically be extended for one (1) additional year, unless at least ninety (90) days prior to such date, the Company or the Executive shall give written notice to the other party that it or he, as the case may be, does not wish to so extend this Agreement. Notwithstanding the foregoing, if the Company gives such written notice to the Executive (i) at a time when Sempra Energy is a party to an agreement that, if consummated, would constitute a Change in Control or (ii) less than two (2) years after a Change in Control, the term of this Agreement shall be automatically extended until the later of (X) the date that is one (1) year after the anniversary of the Effective Date that follows such written notice or (Y) the second (2nd) anniversary of the Change in Control Date.

(k) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, Sempra Energy have caused this Agreement to be executed as of the day and year first above written.

SEMPRA ENERGY

/s/ Randall L. Clark

Randall L. Clark

Senior Vice President and Chief Human Resources Officer

May 4, 2020

Date

EXECUTIVE

/s/ Jimmie I. Cho

Jimmie I. Cho

Chief Operating Officer - Southern California Gas Company

May 4, 2020

Date

GENERAL RELEASE

This GENERAL RELEASE (the "Agreement"), dated _____, is made by and between _____, a California corporation (the "Company") and _____ ("you" or "your").

WHEREAS, you and the Company have previously entered into that certain Severance Pay Agreement dated _____, 20__ (the "Severance Pay Agreement"); and

WHEREAS, your right to receive certain severance pay and benefits pursuant to the terms of Section 4 or 5 of the Severance Pay Agreement, as applicable, is subject to and conditioned upon your execution and non-revocation of a general release of claims by you against the Company and its subsidiaries and affiliates.

WHEREAS, your right to receive the Consulting Payment provided pursuant to Section 14(e) of the Severance Pay Agreement is subject to and conditioned upon your execution and non-revocation of a general release of claims by you against the Company and its subsidiaries and affiliates; and your adherence to the covenants described under Section 14 of the Severance Pay Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, you and the Company hereby agree as follows:

ONE: Your signing of this Agreement confirms that your employment with the Company shall terminate at the close of business on _____, or earlier upon our mutual agreement. This Agreement is not a condition of employment or continued employment or a condition of receiving a raise or a bonus.

TWO: As a material inducement for the payment of the severance and benefits of the Severance Pay Agreement, and except as otherwise provided in this Agreement, you and the Company hereby irrevocably and unconditionally release, acquit and forever discharge the other from any and all Claims either may have against the other. For purposes of this Agreement and the preceding sentence, the words "Releasee" or "Releasees" and "Claim" or "Claims" shall have the meanings set forth below:

(a) The words "Releasee" or "Releasees" shall refer to you and to the Company and each of the Company's owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, advisors, parent companies, divisions, subsidiaries, affiliates (and agents, directors, officers, employees, representatives, attorneys and advisors of such parent companies, divisions, subsidiaries and affiliates) and all persons acting by, through, under or in concert with any of them.

(b) The words "Claim" or "Claims" shall refer to any charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of

action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, which you or the Company now, in the past or, in the future may have, own or hold against any of the Releasees; *provided, however*, that the word "Claim" or "Claims" shall not refer to any charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) arising under [*identify severance, employee benefits, stock option, indemnification and D&O and other agreements containing duties, rights obligations etc. of either party that are to remain operative*]. Claims released pursuant to this Agreement by you and the Company include, but are not limited to, rights arising out of alleged violations of any contracts, express or implied, any tort, claim, any claim that you failed to perform or negligently performed or breached your duties during employment at the Company, any legal restrictions on the Company's right to terminate employment relationships; and any federal, state or other governmental statute, regulation, or ordinance, governing the employment relationship including, without limitation, all state and federal laws and regulations prohibiting discrimination based on protected categories, and all state and federal laws and regulations prohibiting retaliation against employees for engaging in protected activity or legal off-duty conduct. This release does not extend to claims for workers' compensation or other claims which by law may not be waived or released by this Agreement.

THREE: You and the Company expressly waive and relinquish all rights and benefits afforded by any statute (including but not limited to Section 1542 of the Civil Code of the State of California and analogous laws of other states) which limits the effect of a release with respect to unknown claims. You and the Company do so understanding and acknowledging the significance of the release of unknown claims and the waiver of statutory protection against a release of unknown claims (including but not limited to Section 1542). Section 1542 of the Civil Code of the State of California states as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Thus, notwithstanding the provisions of Section 1542 or of any similar statute, and for the purpose of implementing a full and complete release and discharge of the Releasees, you and the Company expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all Claims which are known and all Claims which you or the Company do not know or suspect to exist in your or the Company's favor at the time of execution of this Agreement and that this Agreement contemplates the extinguishment of all such Claims.

FOUR: The parties acknowledge that they might hereafter discover facts different from, or in addition to, those they now know or believe to be true with respect to a Claim or Claims released herein, and they expressly agree to assume the risk of possible discovery of

additional or different facts, and agree that this Agreement shall be and remain effective, in all respects, regardless of such additional or different discovered facts.

FIVE: As a further material inducement to the Company to enter into this Agreement, you hereby agree to indemnify and hold each of the Releasees harmless from all loss, costs, damages, or expenses, including without limitation, attorneys' fees incurred by the Releasees, arising out of any breach of this Agreement by you or the fact that any representation made in this Agreement by you was false when made.

As a further material inducement to you to enter into this Agreement, the Company hereby agrees to indemnify and hold each of the Releasees harmless from all loss, costs, damages, or expenses, including without limitation, attorneys' fees incurred by the Releasees, arising out of any breach of this Agreement by it or the fact that any representation made in this Agreement by it was knowingly false when made.

SIX: You and the Company represent and acknowledge that in executing this Agreement, neither is relying upon any representation or statement not set forth in this Agreement or the Severance Agreement.

SEVEN:

(a) This Agreement shall not in any way be construed as an admission by the Company that it has acted wrongfully with respect to you or any other person, or that you have any rights whatsoever against the Company, and the Company specifically disclaims any liability to or wrongful acts against you or any other person, on the part of itself, its employees or its agents. This Agreement shall not in any way be construed as an admission by you that you have acted wrongfully with respect to the Company, or that you failed to perform your duties or negligently performed or breached your duties, or that the Company had good cause to terminate your employment.

(b) If you are a party or are threatened to be made a party to any proceeding by reason of the fact that you were an officer or director of the Company, the Company shall indemnify you against any expenses (including reasonable attorneys' fees; *provided*, that counsel has been approved by the Company prior to retention, which approval shall not be unreasonably withheld), judgments, fines, settlements and other amounts actually or reasonably incurred by you in connection with that proceeding; *provided, further*, that you acted in good faith and in a manner you reasonably believed to be in the best interest of the Company. The limitations of Section 317 of the Corporations Code of the State of California shall apply to this assurance of indemnification.

(c) You agree to cooperate with the Company and its designated attorneys, representatives and agents in connection with any actual or threatened judicial, administrative or other legal or equitable proceeding in which the Company is or may become involved. Upon reasonable notice, you agree to meet with and provide to the Company or its designated attorneys, representatives or agents all information and knowledge you have relating

to the subject matter of any such proceeding. The Company agrees to reimburse you for any reasonable costs you incur in providing such cooperation.

EIGHT: This Agreement is entered into in California and shall be governed by substantive California law, except as provided in this section. If any dispute arises between you and the Company, including but not limited to, disputes relating to this Agreement, or if you prosecute a claim you purported to release by means of this Agreement (“Arbitrable Dispute”), you and the Company agree to resolve that Arbitrable Dispute through final and binding arbitration under this section. You also agree to arbitrate any Arbitrable Dispute which also involves any other released party who offers or agrees to arbitrate the dispute under this section. Your agreement to arbitrate applies, for example, to disputes about the validity, interpretation, or effect of this Agreement or alleged violations of it, claims of discrimination under federal or state law, or other statutory violation claims.

As to any Arbitrable Dispute, you and the Company waive any right to a jury trial or a court bench trial. You and the Company also waive the right to bring, maintain, or participate in any class, collective, or representative proceeding, whether in arbitration or otherwise. Further, Arbitrable Disputes must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis.

Arbitration shall take place in San Diego, California under the employment dispute resolution rules of the Judicial Arbitration and Mediation Service, (or, if you are employed outside of California at the time of the termination of your employment, at the nearest location of the American Arbitration Association (“AAA”) and in accordance with the AAA rules), before an experienced employment arbitrator selected in accordance with those rules. The arbitrator may not modify or change this Agreement in any way. The Company will be responsible for paying any filing fee and the fees and costs of the Arbitrator; provided, however, that if you are the party initiating the claim, you will contribute an amount equal to the filing fee to initiate a claim in the court of general jurisdiction in the state in which you are employed by the Company. Each party shall pay for its own costs and attorneys’ fees, if any. However if any party prevails on a statutory claim which affords the prevailing party attorneys’ fees and costs, or if there is a written agreement providing for attorneys’ fees and/or costs, the Arbitrator may award reasonable attorney’s fees and/or costs to the prevailing party, applying the same standards a court would apply under the law applicable to the claim. The Arbitrator shall apply the Federal Rules of Evidence and shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Federal Arbitration Act shall govern the arbitration and shall govern the interpretation or enforcement of this section or any arbitration award. The arbitrator will not have the authority to consider, certify, or hear an arbitration as a class action, collective action, or any other type of representative action.

To the extent that the Federal Arbitration Act is inapplicable, California law pertaining to arbitration agreements shall apply. Arbitration in this manner shall be the exclusive remedy for any Arbitrable Dispute. Except as prohibited by the Age Discrimination in Employment Act of 1967, as amended, should you or the Company attempt to resolve an

Arbitrable Dispute by any method other than arbitration pursuant to this section, the responding party will be entitled to recover from the initiating party all damages, expenses, and attorneys' fees incurred as a result of this breach. This Section EIGHT supersedes any existing arbitration agreement between the Company and me as to any Arbitrable Dispute. Notwithstanding anything in this Section EIGHT to the contrary, a claim for benefits under an Employee Retirement Income Security Act of 1974, as amended, covered plan shall not be an Arbitrable Dispute.

NINE: Both you and the Company understand that this Agreement is final and binding eight (8) days after its execution and return. Should you nevertheless attempt to challenge the enforceability of this Agreement as provided in Section EIGHT or, in violation of that section, through litigation, as a further limitation on any right to make such a challenge, you shall initially tender to the Company, by certified check delivered to the Company, all monies received pursuant to Section 4 or 5 of the Severance Pay Agreement, as applicable, plus interest, and invite the Company to retain such monies and agree with you to cancel this Agreement and void the Company's obligations under the Severance Pay Agreement. In the event the Company accepts this offer, the Company shall retain such monies and this Agreement shall be canceled and the Company shall have no obligation under Section 14(e) of the Severance Pay Agreement. In the event the Company does not accept such offer, the Company shall so notify you and shall place such monies in an interest-bearing escrow account pending resolution of the dispute between you and the Company as to whether or not this Agreement and the Company's obligations under the Severance Pay Agreement shall be set aside and/or otherwise rendered voidable or unenforceable. Additionally, any consulting agreement then in effect between you and the Company shall be immediately rescinded with no requirement of notice.

TEN: Any notices required to be given under this Agreement shall be delivered either personally or by first class United States mail, postage prepaid, addressed to the respective parties as follows:

To Company: [TO COME]

Attn: [TO COME]

To You: _____

ELEVEN: You understand and acknowledge that you have been given a period of forty-five (45) days to review and consider this Agreement (as well as certain data on other persons eligible for similar benefits, if any) before signing it and may use as much of this forty-five (45) day period as you wish prior to signing. You are encouraged, at your personal expense, to consult with an attorney before signing this Agreement. You understand and acknowledge that whether or not you do so is your decision. You may revoke this Agreement within seven (7) days of signing it. If you wish to revoke, the Company's Vice President, Human Resources must receive written notice from you no later than the close of business on the seventh (7th) day after you have signed the Agreement. If revoked, this Agreement shall not be effective and

enforceable, and you will not receive payments or benefits under Section 4 or 5 of the Severance Pay Agreement, as applicable.

TWELVE: This Agreement constitutes the entire agreement of the parties hereto and supersedes any and all other agreements (except the Severance Pay Agreement) with respect to the subject matter of this Agreement, whether written or oral, between you and the Company. All modifications and amendments to this Agreement must be in writing and signed by the parties.

THIRTEEN: Each party agrees, without further consideration, to sign or cause to be signed, and to deliver to the other party, any other documents and to take any other action as may be necessary to fulfill the obligations under this Agreement.

FOURTEEN: If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or application; and to this end the provisions of this Agreement are declared to be severable.

FIFTEEN: This Agreement may be executed in counterparts.

I have read the foregoing General Release, and I accept and agree to the provisions it contains and hereby execute it voluntarily and with full understanding of its consequences. I am aware it includes a release of all known or unknown claims.

DATED: _____

DATED: _____

You acknowledge that you first received this Agreement on [date].

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, J. Walker Martin, certify that:

1. I have reviewed this report on Form 10-Q of Sempra Energy;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 5, 2020 /s/ J. Walker Martin

J. Walker Martin
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Trevor I. Mihalik, certify that:

1. I have reviewed this report on Form 10-Q of Sempra Energy;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 5, 2020 /s/ Trevor I. Mihalik

Trevor I. Mihalik
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Caroline A. Winn, certify that:

1. I have reviewed this report on Form 10-Q of San Diego Gas & Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 5, 2020 /s/ Caroline A. Winn

Caroline A. Winn

Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Bruce A. Folkmann, certify that:

1. I have reviewed this report on Form 10-Q of San Diego Gas & Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 5, 2020 /s/ Bruce A. Folkmann

Bruce A. Folkmann
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Scott D. Drury, certify that:

1. I have reviewed this report on Form 10-Q of Southern California Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 5, 2020 /s/ Scott D. Drury

Scott D. Drury
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Mia L. DeMontigny, certify that:

1. I have reviewed this report on Form 10-Q of Southern California Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 5, 2020

/s/ Mia L. DeMontigny

Mia L. DeMontigny

Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of Sempra Energy (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2020 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2020

/s/ J. Walker Martin

J. Walker Martin

Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of Sempra Energy (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2020 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2020

/s/ Trevor I. Mihalik

Trevor I. Mihalik

Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of San Diego Gas & Electric Company (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2020 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2020

/s/ Caroline A. Winn

Caroline A. Winn

Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of San Diego Gas & Electric Company (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2020 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2020

/s/ Bruce A. Folkmann

Bruce A. Folkmann

Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of Southern California Gas Company (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2020 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2020

/s/ Scott D. Drury

Scott D. Drury

Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of Southern California Gas Company (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2020 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2020

/s/ Mia L. DeMontigny

Mia L. DeMontigny

Chief Financial Officer