



# Third Quarter 2013

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## Earnings Results

November 5, 2013

# Information Regarding Forward-Looking Statements

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# Agenda

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- ▶ Q3-13 Financial Results
- ▶ 2013 Guidance
- ▶ California Utilities Update
- ▶ Cameron Liquefaction Project Update
- ▶ Sempra Renewables Update
- ▶ Sempra Mexico Update



# Third Quarter 2013 Results

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<i>(Unaudited; dollars, except EPS, and shares in millions)</i>				
GAAP Earnings	\$ 296	\$ 268	\$ 719	\$ 566
Loss on San Onofre Nuclear Generating Station (SONGS) Plant Closure	-	-	119	-
Impairment Charges on Rockies Express Pipeline (REX)	-	60	-	239
Earnings for 2013 Guidance Comparison <sup>(1,2)</sup>	296	328	838	805
Retroactive 2012 Benefit from General Rate Case (GRC)	-	-	(77)	-
Adjusted Earnings <sup>(1,3)</sup>	<u>\$ 296</u>	<u>\$ 328</u>	<u>\$ 761</u>	<u>\$ 805</u>
Diluted weighted-average shares outstanding	249	246	249	245
GAAP EPS	\$ 1.19	\$ 1.09	\$ 2.89	\$ 2.31
EPS for 2013 Guidance Comparison <sup>(1,2)</sup>	\$ 1.19	\$ 1.33	\$ 3.37	\$ 3.29
Adjusted EPS <sup>(1,3)</sup>	\$ 1.19	\$ 1.33	\$ 3.06	\$ 3.29

- ▶ Q3-12 earnings included a \$33 million, or \$0.13 per share, income tax benefit at SDG&E related to prior periods

(1) See appendix for information regarding non-GAAP financial measures.  
 (2) Nine months ended September 30, 2013 excludes loss on SONGS closure.  
 (3) Nine months ended September 30, 2013 excludes both loss on SONGS closure and 2012 retroactive benefit from GRC.

# San Diego Gas & Electric

<i>(Unaudited, dollars in millions)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
SDG&E GAAP Earnings	\$ 129	\$ 174	\$ 285	\$ 374
Loss on SONGS Plant Closure	-	-	119	-
Retroactive 2012 Benefit from GRC	-	-	(52)	-
Adjusted SDG&E Earnings <sup>(1)</sup>	\$ 129	\$ 174	\$ 352	\$ 374

- ▶ Q3-13 earnings lower due to a \$46 million increase in tax expense primarily driven by:
  - \$33 million tax benefit for the change made to certain repairs deductions in Q3-12 related to prior periods and
  - \$7 million higher tax expense as a result of adjustments for prior years' tax issues
- ▶ Q3-13 higher margin, net of expenses, offset by lower CPUC rate of return, loss of SONGS earnings and premium on redemption of preferred stock

(1) See appendix for information regarding non-GAAP financial measures.

# Southern California Gas

<i>(Unaudited, dollars in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
SoCalGas GAAP Earnings	\$ 102	\$ 71	\$ 266	\$ 190
Retroactive 2012 Benefit from GRC	-	-	(25)	-
Adjusted SoCalGas Earnings <sup>(1)</sup>	\$ 102	\$ 71	\$ 241	\$ 190

- ▶ Higher Q3-13 earnings primarily driven by:
  - \$12 million higher CPUC base margin, net of expenses
  - \$10 million benefit from lower income tax rate primarily driven by change in the treatment of repairs for gas pipelines that began in Q4-12

(1) See appendix for information regarding non-GAAP financial measures.

# Sempra International

<i>(Unaudited, dollars in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2013	2012 <sup>(1)</sup>	2013	2012 <sup>(1)</sup>
Sempra South American Utilities	\$ 39	\$ 40	\$ 110	\$ 118
Sempra Mexico	39	42	96	122
Sempra International Earnings	\$ 78	\$ 82	\$ 206	\$ 240

- ▶ South American year-to-date earnings in-line with expectations, excluding \$11 million loss from sale of Argentine investment
- ▶ Mexico Q3-13 earnings lower due primarily to:
  - \$9 million dilution from IEnova IPO, offset by
  - \$7 million net benefit from negative currency effects that primarily relate to Q3-12

(1) In the fourth quarter of 2012, Sempra revised the manner in which it makes resource allocation decisions to the Sempra Mexico segment and assesses its performance. As a result, certain amounts have been reclassified from Parent and Other, which contains interest and other corporate costs and certain holding company activities, to the Sempra Mexico segment. Losses reclassified to the Sempra Mexico segment as a result of the restatement were \$12 million for both the three months and nine months ended September 30, 2012.

# Sempra U.S. Gas & Power

<i>(Unaudited, dollars in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Sempra Natural Gas	\$ (7)	\$ (68)	\$ 55	\$ (260)
Impairment Charges on REX	-	60	-	239
Sempra Natural Gas excl. Impairment	(7)	(8)	55	(21)
Sempra Renewables	37	13	56	47
Sempra U.S. Gas & Power Earnings excl. Impairment	\$ 30	\$ 5	\$ 111	\$ 26

- ▶ Q3-13 Natural Gas earnings in-line with expectations due to seasonal nature of storage business; ongoing actions should improve longer term performance of this segment
- ▶ Renewables Q3-13 earnings up primarily due to \$24 million gains from contribution of Copper Mountain Solar 2 and Mesquite Solar 1 to 50/50 joint ventures with Consolidated Edison Development





## 2013 Guidance

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- ▶ Affirm full year EPS within range of \$4.30 - \$4.60<sup>(1)</sup>
- ▶ Likely Mexican tax reform will negatively impact Q4-13 by ~\$0.05 per share for adjustment of deferred tax balance
  - No significant earnings impact beyond 2013
- ▶ Prior to tax reform, 2013 earnings expected near midpoint of range
- ▶ Earnings of ~\$0.05 per share in current guidance for formation of JV at Energía Sierra Juárez
  - If JV not completed this year, earnings deferred
- ▶ Will update 2014 guidance on Q4-13 call

(1) See appendix for information regarding non-GAAP financial measures.

# California Utilities Update

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## ▶ SONGS

- SoCal Edison/Mitsubishi dispute moved to binding arbitration
- OII ongoing, but CPUC is encouraging settlement

## ▶ Electric Rate Reform

- Legislation passed which will return authority to CPUC to implement fair and reasonable reforms to rate structure
- Allows for monthly fixed charge of up to \$10/residential customer

## ▶ SDG&E FERC Transmission Rate Case

- Hearings set for May 2014, but informal settlement talks continue
- ROE could be closer to 10%

## ▶ Pipeline Safety Enhancement Plan

- Expect proposed decision in Q4-13



# Cameron Liquefaction Project Update

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- ▶ EPC bids received
  - Two groups submitted EPC bids which are being reviewed
  - Estimated total project costs \$9 - \$10 billion
    - \$6 - \$7 billion of incremental construction cost
    - \$2 billion of financing costs, required reserves and owner's costs
    - \$1 billion contribution of existing regas terminal
  - Final selection of EPC contractor by year-end 2013 or early 2014
- ▶ Continue to expect DOE non-FTA permit in 2013
- ▶ Expect credit approved proposals from lenders by year-end 2013
- ▶ On-track to start construction in 1H-14



# Sempra Renewables Update

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- ▶ Broken Bow 2 Wind Project
  - Acquired rights to develop 75-MW development project in Nebraska
  - Expect to start operations in late 2014
- ▶ Formed 50/50 joint ventures for Mesquite Solar 1 and Copper Mountain Solar 2
  - Cash proceeds of \$174 million
  - Deconsolidates project financing obligations of \$443 million
- ▶ Consistent with existing renewables strategy, launched process to sell down 50% equity in Copper Mountain Solar 3 and seek project financing



# Sempra Mexico Update

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- ▶ Energy Reform
  - Administration has indicated that changes to Mexican constitution expected by year-end
- ▶ Los Ramones II Pipeline
  - IEnova JV with Pemex will participate in \$1 billion northern phase
  - IEnova's stake expected to be at least 25% and will earn regulated rate of return
- ▶ Development Project Construction Schedule
  - Sonora pipeline: Began Q3-13
  - Ethane pipeline: Began Q3-13
  - Energía Sierra Juárez wind project: Began Q4-13
  - Los Ramones I pipeline: Slated to begin in Q4-13





# Appendix

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# Non-GAAP Financial Measures

**Sempra Energy Consolidated:** Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share excluding in the nine months ended September 30, 2013, the \$119 million loss from plant closure and \$77 million retroactive impact of the 2012 GRC for the full-year 2012; and in the three months and nine months ended September 30, 2012, a \$60 million and \$239 million impairment charge, respectively, on our investment in Rockies Express Pipeline LLC are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States). Because of the significance and nature of these items, management believes that these non-GAAP financial measures provide a more meaningful comparison of the performance of Sempra Energy's business operations from 2013 to 2012 and to future periods, and also as a base for projection of future compounded annual growth rate. Our 2013 guidance of \$4.30 to \$4.60 per diluted share also excludes the \$119 million loss from plant closure, or \$0.48 per diluted share based on forecasted weighted-average diluted shares outstanding for the year 2013. Management believes that excluding the impact of the loss from plant closure from current year guidance provides a more meaningful measure of Sempra Energy's expected financial performance in 2013 in comparison to previously issued guidance.

**San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas):** SDG&E Adjusted Earnings excluding in the nine months ended September 30, 2013, the \$119 million loss from plant closure and \$52 million retroactive impact of the 2012 GRC for the full-year 2012 are non-GAAP financial measures. SoCalGas Adjusted Earnings excluding in the nine months ended September 30, 2013, \$25 million retroactive impact of the 2012 GRC for the full-year 2012 are non-GAAP financial measures. Because of the significance and nature of these items, management believes that these non-GAAP financial measures provide a more meaningful comparison of the performance of SDG&E's and SoCalGas' business operations from 2013 to 2012 and to future periods.

Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Slides 4, 5, 6 and 9 of this presentation and Table A of our financial tables in our third quarter 2013 earnings press release reconcile these non-GAAP financial measures to Sempra Energy Earnings and Diluted Earnings Per Common Share and SDG&E Earnings and SoCalGas Earnings, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP. Our third quarter 2013 earnings press release is available in the News section of our website at [www.sempra.com](http://www.sempra.com).



# Mexican Project Summary

Name	Ultimate Ownership Interest	Length of Pipeline (km)	Design Capacity	Full COD	Contract Term (yrs)	Planned CapEx (\$ in millions)
<b>IN DEVELOPMENT</b>						
Guadalajara LPG Terminal	50% <sup>(1)</sup>	NA	80,000 Bbld <sup>(2)</sup>	2H-13	15	\$65
Sonora Pipeline Phase 1 / Phase 2	100%	505 / 330	770 / 510 MMcfd	2H-14 / 2H-16	25	\$1,000
Ethane Pipeline	50% <sup>(1)</sup>	226	152 MMcfd	2H-14	21	\$330
Los Ramones Phase 1	50% <sup>(1)</sup>	110	2,100 MMcfd	2H-14	25	\$450-\$550
Energía Sierra Juárez	50%	NA	156 MW <sup>(3)</sup>	1H-15	20	\$300 <sup>(4)</sup>
Los Ramones Phase 2	At least 25% <sup>(1)</sup>	440	TBD	2H-15	TBD	\$1,000
<b>IN OPERATION</b>						
Samalayuca Pipeline	50% <sup>(1)</sup>	37	272 MMcfd	Dec-97	Annual	
Baja West Pipeline System	100%	45	940 MMcfd	Jun-00	20	
Baja East Pipeline System	100%	302	3,450 MMcfd <sup>(5)</sup>	Aug-02	20	
Aguaprieta Pipeline	100%	13	200 MMcfd	Nov-02	25	
San Fernando Pipeline	50% <sup>(1)</sup>	114	1,000 MMcfd	Nov-03	20	
TDF Pipeline and Terminal	50% <sup>(1)</sup>	190	30,000 Bbld <sup>(2)</sup>	Dec-07	20	
Energía Costa Azul	100%	NA	1 Bcf/d	May-08	20	

(1) Assets owned under our 50% joint venture with PEMEX Gas. Planned Capex is 100% of project.

(2) In barrels of LPG.

(3) Reflects total capacity of project; IEnova's net ownership interest expected to be 50%.

(4) Reflects total capex of project; IEnova's share will be 50% of total.

(5) Design capacity including compression.



# Renewable Project Summary

Name	Location	MW	PPA Term (yrs)	Tax Credits	Full COD
<b>IN OPERATION</b>					
Fowler Ridge 2 Wind	Indiana	100 MW (50%)	20	PTC	2009
Copper Mountain Solar 1	Nevada	58 MW	20	ITC	2010
Cedar Creek 2 Wind	Colorado	125 MW (50%)	25	PTC	2011
Flat Ridge 2 Wind	Kansas	235 MW (50%)	20 - 25	PTC	2012
Mehoopany Wind	Pennsylvania	71 MW (50%)	20	PTC	2012
Mesquite Solar 1	Arizona	75 MW (50%)	20	Grant	2012
Copper Mountain Solar 2 (1 <sup>st</sup> Phase)	Nevada	46 MW (50%)	25	Grant	2012
Auwahi Wind	Hawaii	11 MW (50%)	20	Grant	2012
<b>CONTRACTED</b>					
Copper Mountain Solar 2 (2 <sup>nd</sup> Phase)	Nevada	29 MW (50%)	25	ITC	2015
Copper Mountain Solar 3	Nevada	125 MW <sup>(1)</sup>	20	ITC	2015
Broken Bow 2 Wind	Nebraska	38 MW <sup>(1)</sup>	25	PTC	2014

(1) Reflects Sempra Renewables' expected net ownership interest of 50%.