



# **Third Quarter 2012**

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## **Earnings Results**

November 6, 2012

# Information Regarding Forward-Looking Statements

This presentation contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “may,” “will,” “would,” “could,” “should,” “potential,” “target,” “outlook,” “depends,” “pursue” or similar expressions, or discussions of guidance, strategies, plans, goals, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions and the timing of actions by the California Public Utilities Commission, California State Legislature, Federal Energy Regulatory Commission, U.S. Department of Energy, Nuclear Regulatory Commission, California Energy Commission, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries where the company does business; capital market conditions, including the availability of credit and the liquidity of investments; inflation, interest and exchange rates; the impact of benchmark interest rates, generally the U.S. Treasury bond and Moody’s A-rated utility bond yields, on the California utilities’ cost of capital; the timing and success of business development efforts and construction, maintenance and capital projects, including risks inherent in the ability to obtain, and the timing of the granting of, permits, licenses, certificates and other authorizations; energy markets, including the timing and extent of changes and volatility in commodity prices; the availability of electric power, natural gas and liquefied natural gas, including disruptions caused by failures in the North American transmission grid, pipeline explosions and equipment failures; weather conditions, natural disasters, catastrophic accidents, and conservation efforts; risks inherent in nuclear power generation and radioactive materials storage, including catastrophic release of such materials, the disallowance of the recovery of the investment in, or operating costs of, the generation facility due to an extended outage, and increased regulatory oversight; risks posed by decisions and actions of third parties who control the operations of investments in which the company does not have a controlling interest; wars, terrorist attacks and cyber security threats; business, regulatory, environmental and legal decisions and requirements; expropriation of assets by foreign governments and title and other property disputes; the status of deregulation of retail natural gas and electricity delivery; the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forward-looking statements whether as a result of new information, future events or otherwise. These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission (SEC). These reports are available through the EDGAR system free-of-charge on the SEC’s website, [www.sec.gov](http://www.sec.gov), and on the company’s website at [www.sempra.com](http://www.sempra.com).

# Third Quarter 2012 Results

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
<i>(Unaudited; dollars, except EPS, and shares in millions)</i>				
GAAP Earnings	\$ 268	\$ 289	\$ 566	\$ 1,046
Impairment Charges on Rockies Express Pipeline (REX)	60	-	239	-
Remeasurement Gain on Chile/Peru Acquisition	-	-	-	(277)
Adjusted Earnings <sup>(1)</sup>	<u>\$ 328</u>	<u>\$ 289</u>	<u>\$ 805</u>	<u>\$ 769</u>
Diluted weighted-average shares outstanding	246	242	245	242
GAAP EPS	\$ 1.09	\$ 1.20	\$ 2.31	\$ 4.32
Adjusted EPS <sup>(1)</sup>	\$ 1.33	\$ 1.20	\$ 3.29	\$ 3.18

- ▶ Solid operating results across business in Q3-12

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

## SDG&E and SoCalGas

<i>(Unaudited, dollars in millions)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
SDG&E	\$ 174	\$ 113	\$ 374	\$ 273
SoCalGas	71	81	190	208
Total	\$ 245	\$ 194	\$ 564	\$ 481

- ▶ SDG&E Q3-12 earnings up primarily due to:
  - \$38 million income tax benefit recorded in Q3-12 due to new IRS rules on deductibility of repairs, including \$22 million related to the prior year
  - \$12 million higher transmission earnings, including the impact from Sunrise Powerlink
- ▶ Q3-12 and year-to-date decreases at SoCalGas primarily due to increased depreciation expense with no authorized revenue increase due to delay in GRC decision

# Sempra International

<i>(Unaudited, dollars in millions)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Sempra South American Utilities	\$ 40	\$ 50	\$ 118	\$ 386
Remeasurement Gain on Chile/Peru Acquisition	-	-	-	(277)
Sempra South American Utilities excl. Gain <sup>(1)</sup>	40	50	118	109
Sempra Mexico	54	47	134	121
Adjusted Sempra International Earnings <sup>(1)</sup>	\$ 94	\$ 97	\$ 252	\$ 230

- ▶ Q3-12 decrease at South American Utilities due to a non-operating, foreign currency benefit of \$19 million in Q3-11
- ▶ Sempra Mexico Q3-12 earnings up due primarily to improved operating results

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

# Sempra U.S. Gas & Power

<i>(Unaudited, dollars in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Sempra Natural Gas	\$ (68)	\$ 41	\$ (260)	\$ 151
Impairment Charges on REX	60	-	239	-
Sempra Natural Gas excl. Impairment <sup>(1)</sup>	(8)	41	(21)	151
Sempra Renewables	13	1	47	9
Adjusted Sempra U.S. Gas & Power Earnings <sup>(1)</sup>	\$ 5	\$ 42	\$ 26	\$ 160

- ▶ Losses at Natural Gas in Q3-12, excluding the charge on REX, driven primarily by lower natural gas prices impacting the US LNG business
- ▶ Q3-12 earnings in Renewables up mainly due to an increase in solar and wind assets over the same period last year
- ▶ Finalizing agreements to sell 50% of Mesquite power plant to Salt River Project for approximately \$600 / kW

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

# Sempra International Update

- ▶ Sempra Mexico announced plans to construct a natural gas pipeline network to supply new gas fueled generation

Project Details	
Capacity Holder	Comisión Federal de Electricidad (CFE), Mexican state-owned electric utility
Contract terms	25 years, US-dollar denominated, take or pay
Commercial Operations Date	1 <sup>st</sup> Phase: 2H-14 2 <sup>nd</sup> Phase: 2H-16
Length (miles)	510
Capital Costs	Approximately \$1 billion

# SDG&E and SoCalGas Key Regulatory Proceedings

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- ▶ General Rate Cases
  - Current CPUC calendar calls for decision by year-end
- ▶ Cost of Capital Proceeding
  - On-schedule for proposed decision November 20 and final decision December 20
- ▶ Pipeline Safety Enhancement Plan
  - Opening briefs filed last month with reply briefs due November 9
  - Final decision expected late in 1H-13
- ▶ Wildfire Expense Cost Recovery
  - Received both proposed decision and alternate decision
  - Ex parte meeting held with Assigned Commissioner
  - Believe it is probable substantially all costs will be recovered



# 2012 Full Year Guidance

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- ▶ Guidance range of \$4.00 - \$4.30<sup>(1)</sup>
  - At or slightly above high-end of range with GRC decision in 2012
  - Around low-end of range with GRC decision in 2013
  
- ▶ Guidance excludes:
  - Non-cash charges related to our investment in REX: (\$0.98) per share year-to-date impact
  - Tax benefit from change in life insurance holding period: \$0.19 per share year-to-date impact

(1) Earnings-per-share guidance on a GAAP basis is \$3.21 - \$3.51.

# Summary

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- ▶ Further reducing exposure to merchant generation through sale of half of Mesquite power plant
- ▶ Operating results very strong for the quarter
- ▶ \$1 billion pipeline project in Mexico provides significant growth opportunity at Sempra International
- ▶ Liquefaction project at Cameron LNG progressing on-schedule



# Appendix

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# Non-GAAP Financial Measures

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Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share excluding impairment charges of \$179 million and \$60 million on our investment in Rockies Express Pipeline LLC in the second and third quarters of 2012, respectively, and a \$277 million gain from the remeasurement of equity method investments in Chilquinta Energía and Luz del Sur in the second-quarter of 2011 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 2012 to 2011 and to future periods. Also, 2012 guidance of \$4 to \$4.30 per diluted share excludes the \$239 million of impairment losses, or \$0.98 per diluted share, as well as a \$47 million tax benefit from a change in the expected holding period of life insurance contracts, or \$0.19 per diluted share, for the nine months ended September 30, 2012, based on shares outstanding through September 30, 2012. Management believes that excluding the impact of the impairment losses and tax benefit from current guidance provides a more meaningful measure of Sempra Energy's expected financial performance in 2012 in comparison to previously issued guidance. 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 3, 5, 6 and 9 of this presentation and Table A of our financial tables in our third-quarter 2012 earnings press release reconcile for historical periods these non-GAAP financial measures to Sempra Energy Earnings and Diluted Earnings Per Common Share, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP. Our third-quarter 2012 earnings press release is available in the News section of our website at [www.sempra.com](http://www.sempra.com).

# Route of Mexican Gas Pipeline Project



*Sonora and Sinaloa Mexico  
Natural Gas Pipeline Project*

Legend



City



Pipeline Project

Note: This map is for illustrative purposes and does not reflect the actual alignment.

# 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%) <sup>(1)</sup>	20	PTC	2009
Copper Mountain Solar 1 (and El Dorado Solar)	Nevada	58 MW (48+10 MW)	20	ITC	2008 / 2010
Cedar Creek 2 Wind	Colorado	125 MW (50%) <sup>(1)</sup>	25	PTC	2011
<b>CONTRACTED &amp; UNDER CONSTRUCTION</b>					
Flat Ridge 2 Wind	Kansas	235 MW (50%) <sup>(1)</sup>	20 - 25	PTC	2012
Mehoopany Wind	Pennsylvania	71 MW (50%) <sup>(1)</sup>	20	PTC	2012
Mesquite Solar 1	Arizona	150 MW <sup>(2)</sup>	20	Grant	2012
Copper Mountain Solar 2	Nevada	92 MW / 58 MW <sup>(3)</sup> (150 MW total)	25	Grant <sup>(4)</sup>	2012 / 2015
Auwahi Wind	Hawaii	11 MW (50%) <sup>(1)</sup>	20	Grant	2012
Energía Sierra Juárez Wind	Baja California, Mexico	78 MW (50%) <sup>(1)</sup>	20	NA <sup>(5)</sup>	2014

(1) Reflects Sempra's expected net ownership interests.

(2) 126 MW of 150 MW total were in operation at September 30, 2012.

(3) Reflects total capacity of project; Sempra's net ownership interest expected to be 50%. 64 MW were in operation as of September 30, 2012.

(4) Cash grant for first phase (92 MW), ITC may be required for second phase (58 MW) if COD remains 2015.

(5) Mexican tax law allows for full depreciation of project in first year of commercial operations.