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Oncor And Sempra Energy To File For Texas Regulatory Approval

- Application to Include Revised Financing Structure and Regulatory Commitments to Texas
- Sempra Energy to Acquire 100 Percent of Energy Future Holdings
- Active Discussions Underway with Stakeholders for Possible Regulatory Settlement

SAN DIEGO and DALLAS, Oct. 4, 2017 /PRNewswire/ -- Oncor Electric Delivery Company LLC (Oncor) and Sempra Energy (NYSE: SRE) announced that they expect to jointly file a Change-in-Control application tomorrow with the Public Utility Commission of Texas (PUCT). This filing represents a key step in the regulatory review process for Sempra Energy's agreement to acquire Energy Future Holdings Corp. (EFH), the indirect owner of approximately 80 percent of Oncor.

The application will include 47 regulatory commitments and a new financing structure, under which Sempra Energy proposes to now acquire 100 percent of EFH at the close of the transaction with no third-party equity investors or EFH debt.

"Since we announced our transaction in August, we have met with many stakeholders to gain their perspectives on how we can best meet the needs of Oncor customers and the state of Texas," said Debra L. Reed, chairman, president and CEO of Sempra Energy. "Our application responds to their feedback and details our financing plan and regulatory commitments, as well as our approach to resolving the long-running EFH bankruptcy proceeding. Our goal is to keep Oncor strong, independent and well-capitalized for the benefit of Texas customers. Our revised financing structure also will provide long-term value to our shareholders."

"This filing highlights Sempra Energy's support for Oncor customers and supports the Oncor mission: providing safe, reliable and affordable electric service to over 10 million Texans," said Bob Shapard, CEO of Oncor. "Sempra Energy's strong ring-fence protections demonstrate how they will be a good long-term partner for Texas. We also are pleased that, with this new financing structure, several of the key stakeholders have expressed interest in entering into constructive regulatory settlement discussions."

Revised Financing Structure

Sempra Energy expects to ultimately fund approximately 65 percent of the $9.45 billion purchase price with Sempra Energy equity and 35 percent with Sempra Energy debt. This simpler and more conservative financing approach will eliminate the EFH debt, as well as third-party equity, enabling Sempra Energy to purchase 100 percent of EFH at the close of the transaction, according to Jeffrey W. Martin, executive vice president and chief financial officer of Sempra Energy. Sempra Energy's original proposal was to initially acquire 60 percent of EFH, with the goal of acquiring 100 percent over a period of time.

"Our revised financing structure for the transaction is both clear and simple, eliminating third-party equity investors, as well as proposed debt at EFH," Martin said. "Sempra Energy will own 100 percent of EFH, which translates to approximately 80 percent of Oncor at the close of the transaction. This eliminates the need to take future additional steps to achieve full control of EFH. The revised structure also should provide Sempra Energy with a stronger balance sheet in the future to fund additional growth initiatives."

While accretion will vary based on the actual closing date of the transaction, and the timing and mix of equity and debt issued, Sempra Energy expects the acquisition of EFH under the new financing structure to result in an average annualized accretion in earnings per share of approximately 10 cents to 20 cents over the next four years.

Regulatory Commitments to Texas

Tomorrow's filing is expected to include strong ring-fence protections for Oncor and its customers that will put in place financial and operational safeguards, financially separating Oncor from Sempra Energy and its competitive affiliates. The joint Change-in-Control application identifies 47 regulatory commitments that are intended to preserve the independence of Oncor and help ensure that Oncor is protected for the customers it serves in Texas. These commitments also are intended to help ensure that Oncor is able to continue to perform in accordance with its financial plans for its customers and shareholders.

Some of the more notable regulatory commitments include:

- Preserving board independence for Oncor;
- Maintaining Oncor's current management team, workforce and Dallas-based headquarters;
- Not incurring any debt at EFH as part of the transaction or in the future;
- Keeping strong ring-fence provisions to maintain both legal and financial separation among Oncor, Sempra Energy and their affiliates;
- Ensuring that none of the transaction costs are borne by Oncor's customers; and
- Being supportive of Oncor's five-year, $7.5 billion capital investment plan.

Settlement Discussions

Several of the key stakeholders that likely would participate in the regulatory approval process for the transaction have indicated that, subject to review of Oncor and Sempra Energy's PUCT filing, the companies have substantially addressed many of their key issues. These stakeholders have indicated they are open to constructive regulatory settlement discussions with Oncor and Sempra Energy.

On Aug. 21, Sempra Energy entered into an agreement to acquire EFH. On Sept. 6, the U.S. Bankruptcy Court for the District of Delaware approved EFH's entry into the merger agreement with Sempra Energy. The agreement remains subject to customary closing conditions, including further approvals by the Bankruptcy Court, the PUCT and the Federal Energy Regulatory Commission. For more information, go to www.Oncor-Sempra.com.

Headquartered in Dallas, Oncor is a regulated electric transmission and distribution service provider, made up of approximately 122,000 miles of lines and more than 3.4 million advanced meters, making it the largest utility in Texas. Using cutting-edge technology, more than 3,900 employees work to safely maintain reliable electric delivery service to over 10 million Texans.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2016 revenues of more than $10 billion. The Sempra Energy companies' more than 16,000 employees serve approximately 32 million consumers worldwide.

This press release 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," "plans," "estimates," "projects," "forecasts," "contemplates," "assumes," "depends," "should," "could," "would," "will," "confident," "may," "can," "potential," "possible," "proposed," "target," "pursue," "outlook," "maintain," or similar expressions or discussions of guidance, strategies, plans, goals, opportunities, projections, 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.

Such forward-looking statements include, but are not limited to, statements about the anticipated benefits of the proposed merger involving Sempra Energy, EFH and EFH's indirect interest in Oncor Electric Delivery Company LLC (Oncor) (the Merger), including future financial or operating results of Sempra Energy or Oncor, Sempra Energy's, EFH's or Oncor's plans, objectives, expectations or intentions, the expected timing of completion of the transaction, the anticipated improvement in credit ratings of Oncor, and other statements that are not historical facts. Important factors that could cause actual results to differ materially from those indicated by any such forward-looking statements include risks and uncertainties relating to: the risk that Sempra Energy, EFH or Oncor may be unable to obtain bankruptcy court and governmental and regulatory approvals required for the Merger, the risk that Sempra Energy may be unable to obtain the external financing necessary to pay the consideration and expenses related to the Merger on terms favorable to Sempra Energy, if at all, or that required bankruptcy court and governmental and regulatory approvals may delay the Merger or result in the imposition of conditions that could cause the parties to abandon the transaction or be onerous to Sempra Energy; the risk that a condition to closing of the Merger may not be satisfied, including receipt of a satisfactory supplemental private letter ruling from the Internal Revenue Service; the risk that the transaction may not be completed for other reasons, or may not be completed on the terms currently contemplated; the expected timing to consummate the Merger; the risk that the businesses will not be integrated successfully or may be subject to unexpected or previously unknown risks or liabilities; the risk that the anticipated benefits from the transaction may not be fully realized or may take longer to realize than expected; disruption from the Merger may make it more difficult to conduct business as usual or maintain relationships with customers, employees or suppliers; the diversion of management time and attention to Merger-related issues and related legal, accounting and other costs, whether or not the Merger is completed.

Additional factors, among others, that could cause actual results and future actions to differ materially from those described in forward-looking statements include: actions and the timing of actions, including decisions, new regulations, and issuances of permits and other authorizations by the California Public Utilities Commission, U.S. Department of Energy, California Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, U.S. Environmental Protection

Agency, Pipeline and Hazardous Materials Safety Administration, Los Angeles County Department of Public Health, states, cities and counties, and other regulatory and governmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction projects, including risks in obtaining or maintaining permits and other authorizations on a timely basis, risks in completing construction projects on schedule and on budget, and risks in obtaining the consent and participation of partners; the resolution of civil and criminal litigation and regulatory investigations; deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; modifications of settlements; delays in, or disallowance or denial of, regulatory agency authorizations to recover costs in rates from customers (including with respect to regulatory assets associated with the San Onofre Nuclear Generating Station facility and 2007 wildfires) or regulatory agency approval for projects required to enhance safety and reliability; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the transmission grid, moratoriums or limitations on the withdrawal or injection of natural gas from or into storage facilities, and equipment failures; changes in energy markets; volatility in commodity prices; moves to reduce or eliminate reliance on natural gas; the impact on the value of our investment in natural gas storage and related assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for storage services; risks posed by actions of third parties who control the operations of our investments, and risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; weather conditions, natural disasters, accidents, equipment failures, computer system outages, explosions, terrorist attacks and other events that disrupt our operations, damage our facilities and systems, cause the release of greenhouse gases, radioactive materials and harmful emissions, cause wildfires and subject us to third-party 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) or may be disputed by insurers; 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; capital markets and economic conditions, including the availability of credit and the liquidity of our investments; fluctuations in inflation, interest and currency exchange rates and our ability to effectively hedge the risk of such fluctuations; changes in the tax code as a result of potential federal tax reform, such as the elimination of the deduction for interest and non-deductibility of all, or a portion of, the cost of imported materials, equipment and commodities; changes in foreign and domestic trade policies and laws, including border tariffs, revisions to favorable international trade agreements, and changes that make our exports less competitive or otherwise restrict our ability to export; the ability to win competitively bid infrastructure projects against a number of strong and aggressive competitors; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates due to the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system and from possible departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation or other forms of distributed and local power generation, and the potential risk of nonrecovery for stranded assets and contractual obligations; and other uncertainties, some of which may be difficult to predict and are beyond our control.

These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on the company's website at www.sempra.com. Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

Sempra South American Utilities, Sempra Infrastructure, Sempra LNG & Midstream, Sempra Renewables, Sempra Mexico and Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) are not the same as the California Utilities, San Diego Gas & Electric Company (SDG&E) or Southern California Gas Company (SoCalGas), and are not regulated by the California Public Utilities Commission.

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