



**2012**

---

# **Analyst Conference**

March 29, 2012 | San Diego

# Information Regarding Forward-Looking Statements

These presentations contain 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 our 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 by the California Public Utilities Commission, California State Legislature, Federal Energy Regulatory Commission, 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 our 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 our Sempra Utilities’ cost of capital; 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; wars, terrorist attacks and cybersecurity 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 timing and success of business development efforts and construction, maintenance and capital projects; 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 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](http://www.sec.gov), and on the company’s website at [www.sempra.com](http://www.sempra.com).

These presentations contain forecasts and projections of future results, including our 2012-2016 outlook. These forecasts and projections and other forward-looking statements speak only as of March 29, 2012, and we undertake 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.



# Strategy & Priorities

---

Debbie Reed | CEO

**Analyst Conference**

March 29, 2012

# Conference Outline

---

- |   |   |
|---|---|
| ▶ Strategy & Priorities                             | Debbie Reed   CEO, Sempra Energy  |
| <hr/>   |   |
| ▶ California Utilities                              | Mike Allman   President & CEO, SoCalGas<br>Jessie Knight, Jr.   CEO, SDG&E                                    |
| <hr/>   |   |
| ▶ International Utilities and Energy Infrastructure | Mark Snell   President, Sempra Energy   |
| <hr/>   |   |
| ▶ U.S. Gas & Power                                  | Jeff Martin   President & CEO, U.S. Gas & Power   |
| <hr/>   |   |
| ▶ Sempra International                              | George Liparidis   President & CEO, Sempra International<br>Eduardo Pawluszek   Vice President, South America |
| <hr/>   |   |
| ▶ Financial   | Joe Householder   Executive VP & CFO, Sempra Energy   |

# 2011 Accomplishments

---

- ▶ 14% increase in 2011 adjusted earnings per share<sup>(1)</sup> driven by strength across all business units
- ▶ Sunrise Powerlink on budget and over 70% complete
- ▶ Closed highly accretive acquisition of South American utilities
- ▶ Nearly 1,000 MW of renewables projects in operation, under construction or contracted
- ▶ Increased 2011 dividend by 23% over 2010 and completed \$500 million share repurchase program

(1) Full year 2011 earnings per share up 89% on a GAAP basis. For a reconciliation of GAAP to non-GAAP financial measures, see Table A of our financial tables in Sempra Energy's 2011 fourth quarter earnings press release, available in the news section of our website at [www.sempra.com](http://www.sempra.com).

# Market and Business Development Assessment

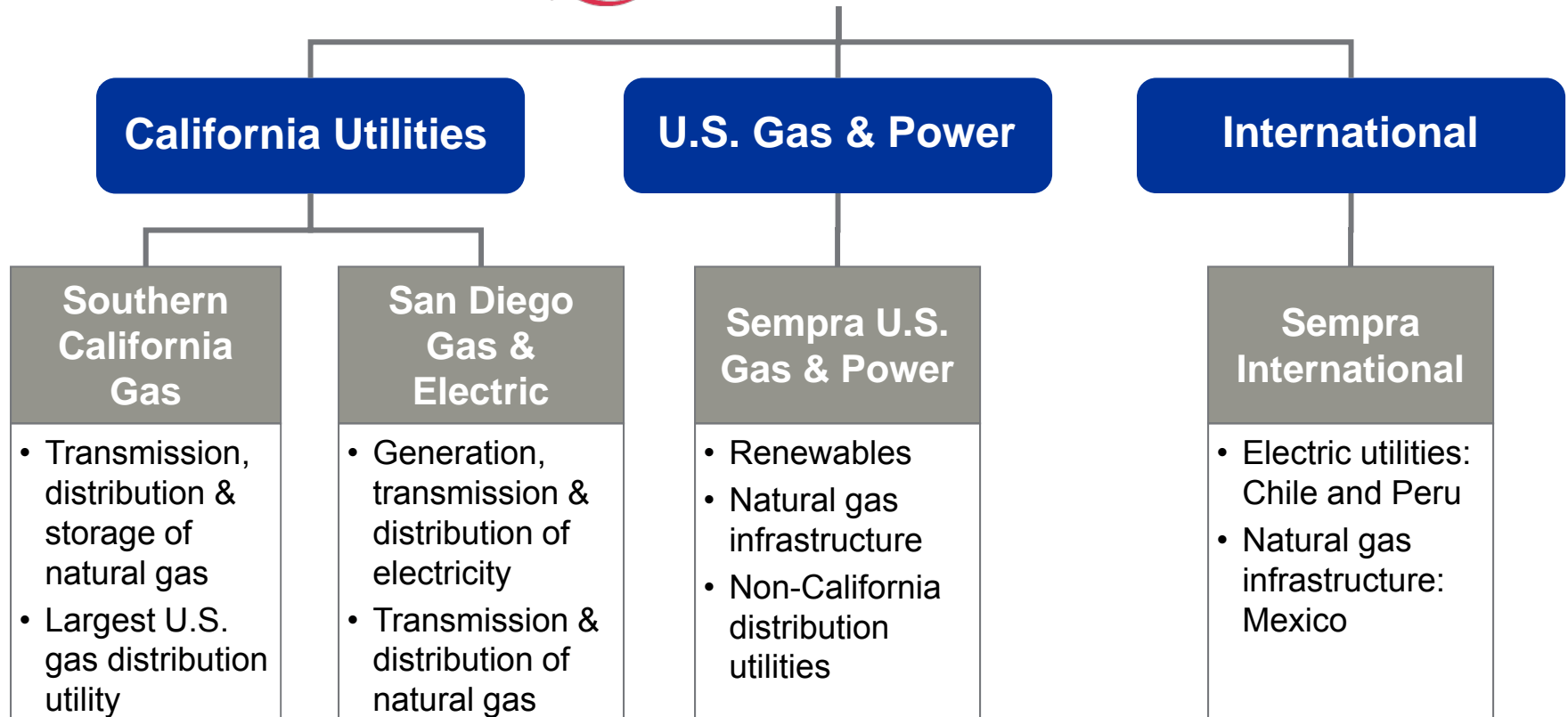
Trend	Implications
<b>Utility investment</b>	<ul style="list-style-type: none"> <li>• U.S. utilities expected to need nearly a trillion dollars of investment over the next decade to replace and upgrade energy infrastructure</li> </ul>
<b>Shale gas/coal-to-gas</b>	<ul style="list-style-type: none"> <li>• Increasing supply and low natural gas prices driving new sources of demand requiring new infrastructure and services</li> <li>• EPA regulation will cause retirement of older and less efficient coal plants, adding to natural gas demand</li> <li>• Strong prospects for U.S. LNG exports</li> </ul>
<b>Renewables</b>	<ul style="list-style-type: none"> <li>• Demand continues, driven by state RPS mandates, tax incentives and steady cost declines</li> </ul>
<b>Emerging markets</b>	<ul style="list-style-type: none"> <li>• Nearly 60% of global GDP growth expected to come from emerging markets over the next five years; energy demand and investment opportunities will follow</li> </ul>
<b>Tax</b>	<ul style="list-style-type: none"> <li>• U.S. incentives for renewables and other investments sharply reduce cash taxes on domestic investments</li> </ul>

# Strategic Imperatives

---

- ▶ Focus on three integrated and disciplined growth platforms that will drive performance
  1. U.S. utilities
  2. South American utilities and Mexican midstream
  3. U.S. gas midstream and renewables
- ▶ Goal to deliver superior shareholder returns through top quartile growth and a competitive dividend
- ▶ Align our operating priorities, capital allocation and organization with this strategy

# New Organizational Structure





# U.S. Utilities

Today	Goals/Initiatives	2016
<b>SoCalGas and SDG&amp;E</b>		
<ul style="list-style-type: none"> <li>• Top quartile growth and ROE</li> <li>• Strong franchises</li> </ul>	<ul style="list-style-type: none"> <li>• Organic growth through execution of major investments               <ul style="list-style-type: none"> <li>• Pipeline Safety Enhancement Plan</li> <li>• SoCalGas advanced metering infrastructure</li> <li>• Electric transmission and renewables</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Combined five-year earnings CAGR of 5 - 6%<sup>(1)</sup></li> </ul>
<b>Other U.S. Utilities</b>		
<ul style="list-style-type: none"> <li>• Small Southeast utility presence</li> </ul>	<ul style="list-style-type: none"> <li>• Consider value enhancing acquisitions which provide growth opportunities commensurate with Sempra's growth, and value creation beyond synergies</li> </ul>	<ul style="list-style-type: none"> <li>• Larger U.S. utility footprint with adjacent non-utility energy infrastructure growth opportunities</li> </ul>

(1) Compound annual growth rate from 2012 to 2016

# South American Utilities and Mexican Midstream

Today	Goals/Initiatives	2016
<ul style="list-style-type: none"> <li>• Strong incumbent positions (high returns, ample organic growth)</li> <li>• Stable and supportive regulatory and business environments</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue organic and adjacent growth opportunities in Chile and Peru</li> <li>• Pursue midstream growth opportunities in Mexico, including through the Pemex JV</li> <li>• Increase local ownership and optimize the capital structure of our international investments</li> <li>• Tax-efficiently repatriate \$300 million of earnings per year from 2013 - 2018, supporting U.S. debt reduction and dividend</li> </ul>	<ul style="list-style-type: none"> <li>• Five-year earnings CAGR of 8 - 9%<sup>(1)</sup></li> <li>• Local investors in Chile, Peru and Mexico that drive an optimal capital structure</li> </ul>

(1) Compound annual growth rate from 2012 to 2016

# U.S. Gas Midstream & Renewables

Today	Goals/Initiatives	2016
<b>Gas Midstream</b>		
<ul style="list-style-type: none"> <li>• Substantial operating and expansion capacity</li> <li>• Weak market conditions may improve, due to:               <ul style="list-style-type: none"> <li>- Liquefaction</li> <li>- Coal to gas conversions</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Integrate U.S. gas midstream assets under a MLP growth vehicle anchored by liquefaction and its long-term steady cash flows               <ul style="list-style-type: none"> <li>• Develop liquefaction joint venture to enhance returns from existing Cameron assets and limit our incremental investment</li> <li>• Reduce capital allocation for additional storage development beyond 43 Bcf until market conditions improve</li> </ul> </li> <li>• Pursue opportunities to expand our midstream operations through joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>• Profitable, steady-cash flow under all market conditions, with increased operating, marketing and sale optionality</li> </ul>

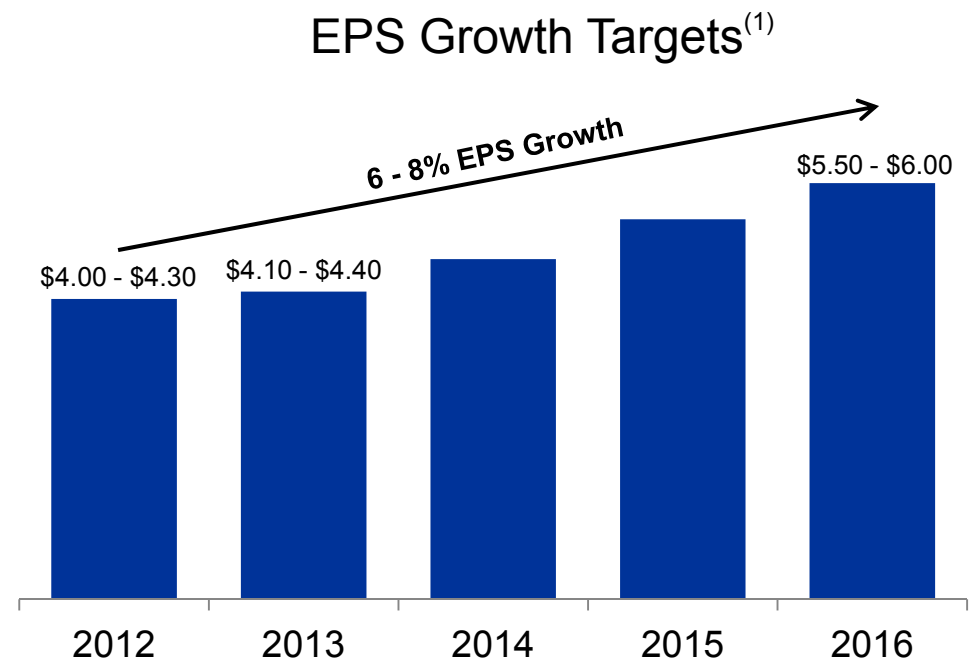
# U.S. Gas Midstream & Renewables (cont.)

Today	Goals/Initiatives	2016
<b>Renewables</b>		
<ul style="list-style-type: none"> <li>• Leading developer of utility-scale solar</li> <li>• Large wind development pipeline through BP joint venture</li> </ul>	<ul style="list-style-type: none"> <li>• Grow and diversify portfolio using 50/50 partnerships</li> <li>• Reduced ownership share in a larger portfolio reduces risk and maximizes balance sheet capacity</li> <li>• Change to deferral accounting provides more steady earnings that can be fairly valued</li> </ul>	<ul style="list-style-type: none"> <li>• Generating long-term steady cash flows with a larger footprint and reduced risk</li> <li>• Expect renewables projects to generate ~\$100 million<sup>(1)</sup> of recurring earnings by 2016</li> </ul>
<b>Gas Generation</b>		
<ul style="list-style-type: none"> <li>• Small Southwest regional position</li> <li>• Weak market conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Renewables have replaced gas generation in the West as our focus for future growth</li> <li>• Contract capacity of two remaining plants to enhance value</li> </ul>	<ul style="list-style-type: none"> <li>• Look to divest assets where sale proceeds can drive reinvestment returns better than what we currently earn</li> </ul>

(1) Excludes corporate overheads

# Strategic Priorities: Financial

- ▶ Sustain top quartile growth and a competitive dividend
  - Five-year EPS growth of 6 - 8%<sup>(1)</sup>
  - 25% dividend increase to \$2.40 per share announced earlier this year
- ▶ Five-year capital investment plan of \$14 billion
  - 80% at California utilities
  - 12% for renewables projects



(1) Compound annual growth rate from 2012 to 2016

# Summary

---

- ▶ Integrated and disciplined growth platforms will drive future performance
- ▶ Achieving greater value from previously invested capital is a top priority
- ▶ Capital allocation and streamlined operating units are aligned with our strategy
- ▶ We have taken concrete steps to increase the transparency and predictability of earnings
- ▶ Strong value proposition to shareholders with top quartile growth and a competitive dividend



# Southern California Gas Company

---

Michael Allman | President & Chief Executive Officer

**2012 Analyst Conference**

March 29, 2012

# Outline

---

- ▶ Business Overview
- ▶ 2011 Accomplishments
- ▶ Key Regulatory Proceedings
- ▶ Major Projects
- ▶ Outlook
- ▶ Summary



# Business Overview

- ▶ Nation's largest natural gas distribution utility
- ▶ 20,000 square miles of service territory
- ▶ 20.9 million consumers
- ▶ 5.8 million natural gas meters
- ▶ 134 Bcf of gas storage capacity
  - 3% of national storage capacity
- ▶ 3,750 miles of transmission pipeline
- ▶ Ratebase of \$3.0 billion in 2011<sup>(1)</sup>



(1) 2011 weighted average

# 2011 Accomplishments

---

- ▶ Customers
  - Rated highest in customer satisfaction by J.D. Power & Associates
  - Customer gas prices among the lowest in the nation
  - Residential bills lowest in the state, half of the national average
- ▶ Regulators
  - Continued delivery of service by way of a safe and reliable system
  - Improved employee safety to record levels
- ▶ Shareholders
  - Delivered \$287 million earnings in 2011
  - Strong cash flow from operations, annual average of \$600 million<sup>(1)</sup>

(1) Three-year annual average (2009 - 2011)

# Pipeline Safety Enhancement Plan

---

- ▶ CPUC ordered operators to file plans to test or replace transmission pipelines that have not been pressure tested
- ▶ Filed a comprehensive Pipeline Safety Enhancement Plan (PSEP) in August 2011
- ▶ PSEP covers approximately 4,000 miles of transmission lines in two phases<sup>(1)</sup>
- ▶ Proposed decision issued
  - Authorizes memorandum account which allows planning and engineering to begin
  - Transfers PSEP to the Triennial Cost Allocation Proceeding
- ▶ Anticipate a decision on our proposed plan in 2013

(1) Includes mileage for SDG&E

# General Rate Case

---

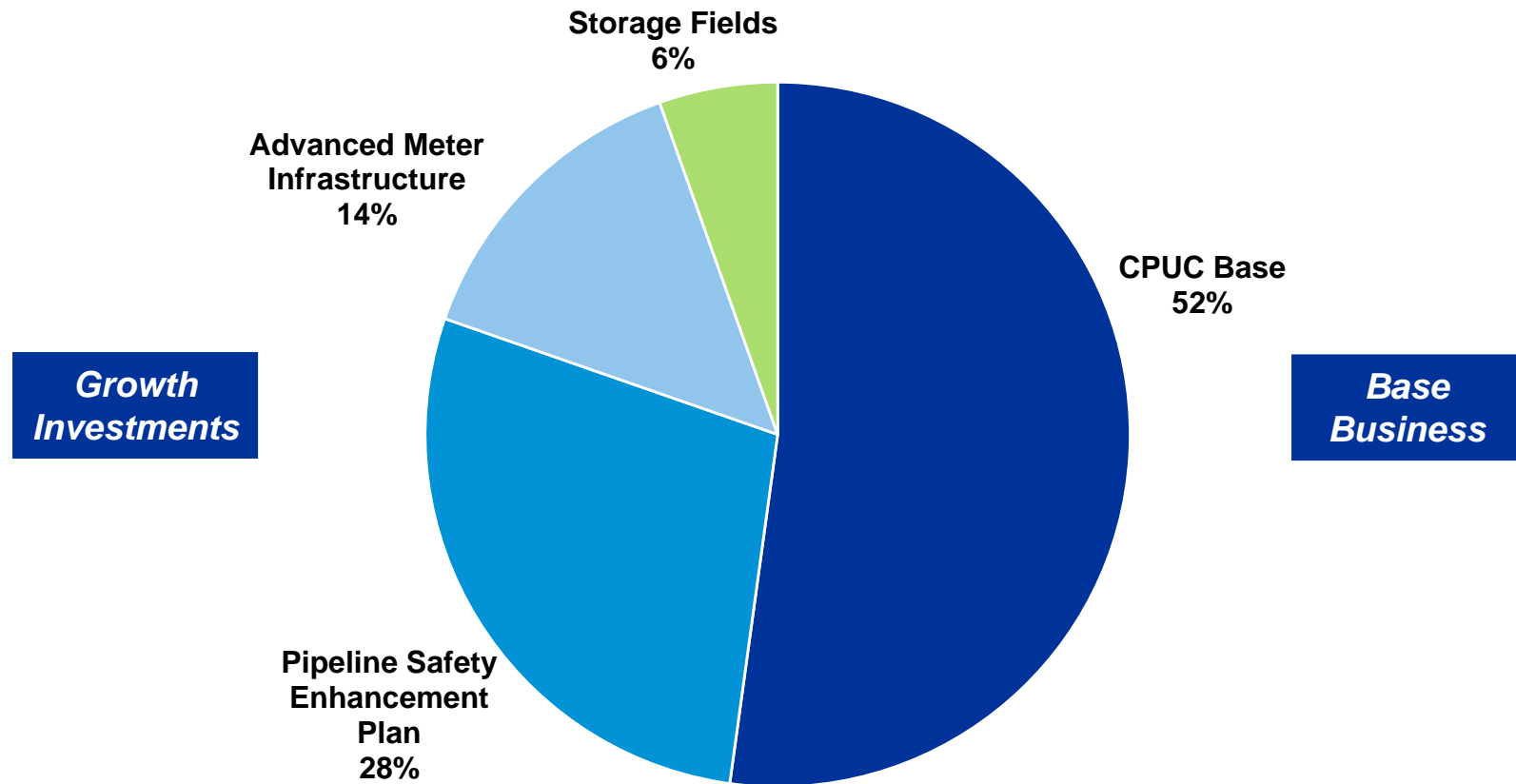
- ▶ Proposed revenue requirement of \$2.1 billion for 2012
  - Increase of 6% over 2011 system average rates
- ▶ Rates retroactive to January 1, 2012
- ▶ Four-year GRC term
- ▶ Proposed mechanism to increase base margin by an average of 3% per year from 2013 to 2015
- ▶ Next steps
  - Closing briefs in May 2012
  - Final decision expected in second half of 2012

# Cost of Capital

---

- ▶ Cost of Capital proceeding establishes authorized capital structure and returns
- ▶ Current authorized return on equity is 10.82%
- ▶ Application expected to be filed in April 2012
- ▶ Decision expected in Q4 of 2012
- ▶ New authorized return would be effective January 1, 2013

# SoCalGas 2012 - 2016 Capital Plan: \$5.0 Billion



# Pipeline Safety Enhancement Plan - SoCalGas

► Project will be in two phases:

- Phase 1 – Covers 1,600 miles of transmission pipeline in populated areas



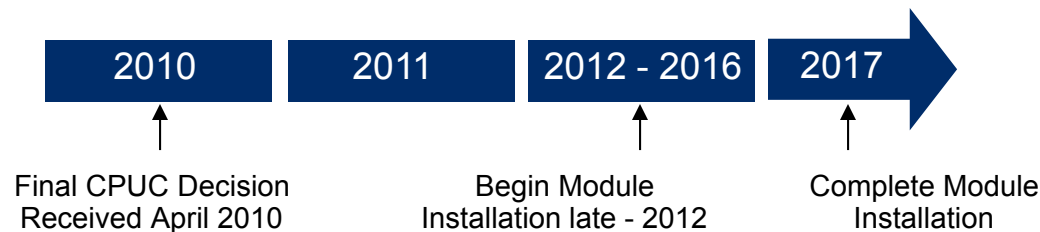
- Phase 2 – rural areas; will be filed with CPUC at a later date

► \$3.1 billion estimated costs for Phase 1

\$ in billion	Phase 1A	Phase 1B	Phase 1 Total
Capital	\$1.4	\$1.4	\$2.8
O&M	\$0.3	<\$0.1	\$0.3
Phase 1 Total	\$1.7	\$1.4	\$3.1

# Advanced Meter Infrastructure

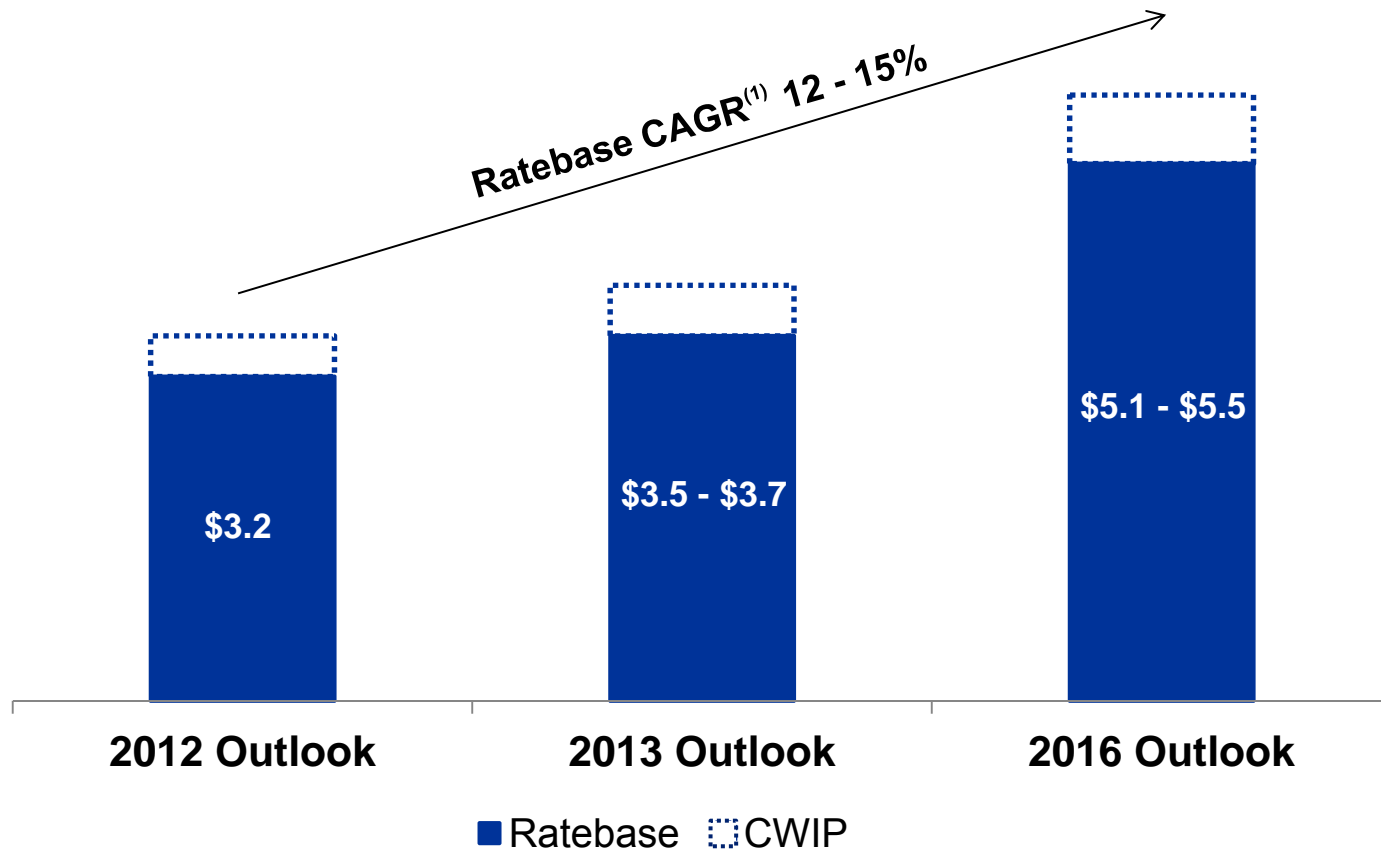
- ▶ \$850 million capital project; upgrading approximately 6 million gas meters
- ▶ Project remains on schedule for initial deployment in 2012
- ▶ Results in enhanced operational efficiencies and lower rates for customers over the long run



**Gas Meter with Communication Module**

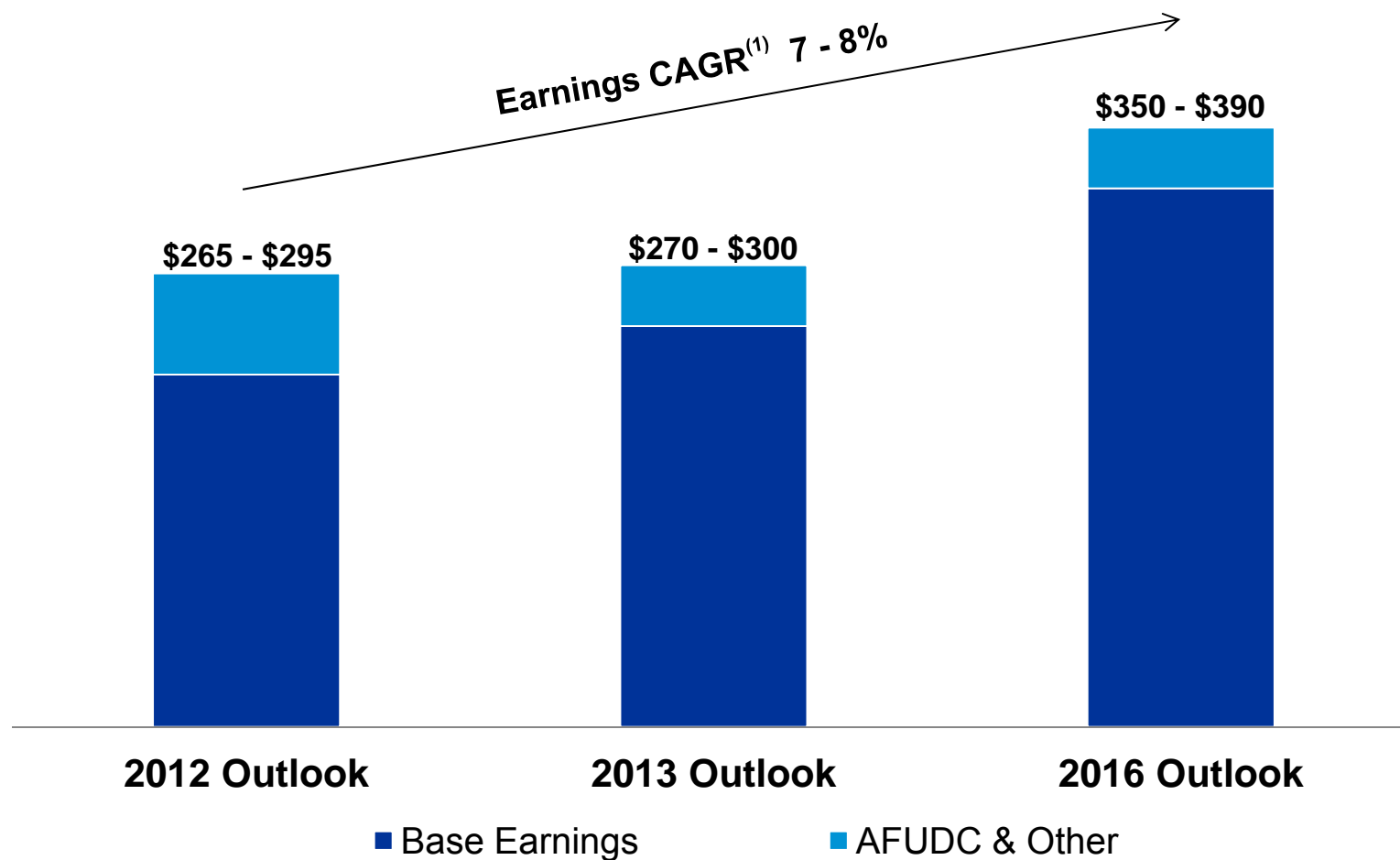


## SoCalGas Ratebase & CWIP Growth (\$ in billions)



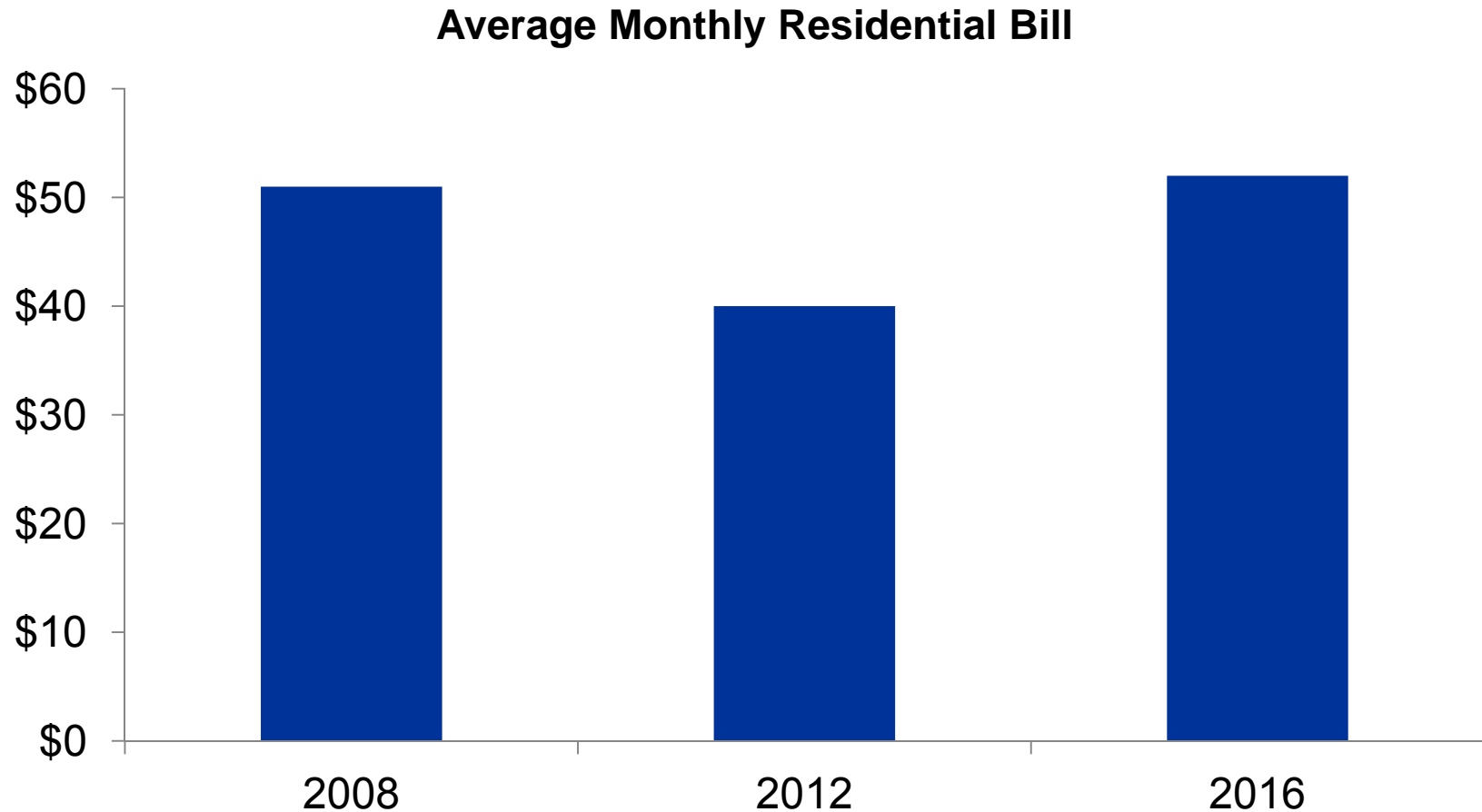
(1) Compound annual growth rate from 2012 to 2016. Values shown in chart are ratebase which does not include construction work-in-progress (CWIP).

# SoCalGas Earnings Profile (\$ in millions)



(1) Compound annual growth rate from 2012 to 2016

# SoCalGas Estimated Consumer Bill Impact



# SoCalGas Outlook (\$ in millions)

Earnings		
2012	2013	2016
\$265 - \$295	\$270 - \$300	\$350 - \$390

Capital Expenditures & Investments		
2012	2013	2014 – 2016 Average
\$700	\$900 - \$1,000	\$ 1,000 - \$1,200

Ratebase		
2012	2013	2016
\$3,200	\$3,500 - \$3,700	\$5,100 - \$5,500

# Summary

---

- ▶ Customers
  - Large infrastructure in place to handle growth in natural gas supply
  - New sources of demand will require new infrastructure and services
- ▶ Regulators
  - Investments aligned with State and Federal legislature and CPUC
  - Investments in core business and safety/technology
- ▶ Financial
  - Platform for increased, stable and predictable earnings
  - \$1 billion increase in 5-year capital investment compared to last year's plan



# Appendix

---

# Key Financial Plan Drivers

---

- ▶ Earnings growth: 7% CAGR<sup>(1)</sup>
- ▶ Ratebase growth: 13% CAGR<sup>(1)</sup>
- ▶ Incentive earnings contribution of approximately \$6 - \$9 million after tax annually
- ▶ Effective income tax rates range from 38% to 43%
- ▶ Capital expenditures primarily funded by operating cash flow and debt financing

(1) 2012 – 2016 compound annual growth rate based on midpoint of forecast range

# Current CPUC Capital Structure / Authorized Return

	Authorized Capital Structure	Authorized Return
Long-Term Debt	45.61%	6.96%
Preferred Equity	6.39%	4.83%
Common Equity	48.00%	10.82%





# San Diego Gas and Electric

---

Jessie Knight Jr. | Chief Executive Officer

**Analyst Conference**

March 29, 2012

# Outline

---

- ▶ Business Overview
- ▶ 2011 Accomplishments
- ▶ Key Regulatory Proceedings
- ▶ Major Projects
- ▶ Outlook
- ▶ Summary

# Business Overview

- ▶ 4,100 square miles of service territory in San Diego and southern Orange counties
- ▶ Serving 3.5 million electric and gas consumers
- ▶ Ratebase of \$5 billion<sup>(1)</sup>
  - CPUC: 77%
  - FERC: 23%
  - Additional \$2 billion of construction work in progress



(1) 2011 weighted average

# 2011 Accomplishments

---

## ▶ Customers

- Completion of Smart Meter mass deployment
- Sunrise Powerlink to enhance reliability and renewable access
- “Best in the West” in reliability<sup>(1)</sup>

## ▶ Regulators

- Consistent regulatory outcomes aligned with state energy policy
- Advancement of renewable energy portfolio and approval of Rim Rock
- Record-setting safety results

## ▶ Shareholders

- Earnings of \$431 million – 17% increase over 2010
- Highest single year capital expenditures of \$1.8 billion

(1) By PA Consulting Group

# General Rate Case

---

- ▶ Proposed revenue requirement of \$1.85 billion for 2012
  - Increase of 5% over 2011 system average rates
- ▶ Rates retroactive to January 1, 2012
- ▶ Four-year GRC term
- ▶ Proposed mechanism to increase base margin by an average of 3% per year from 2013 to 2015
- ▶ Next steps
  - Closing briefs in May 2012
  - Final decision expected in second half of 2012

# Cost of Capital

---

- ▶ Cost of Capital proceeding sets the utility's authorized capital structure and returns

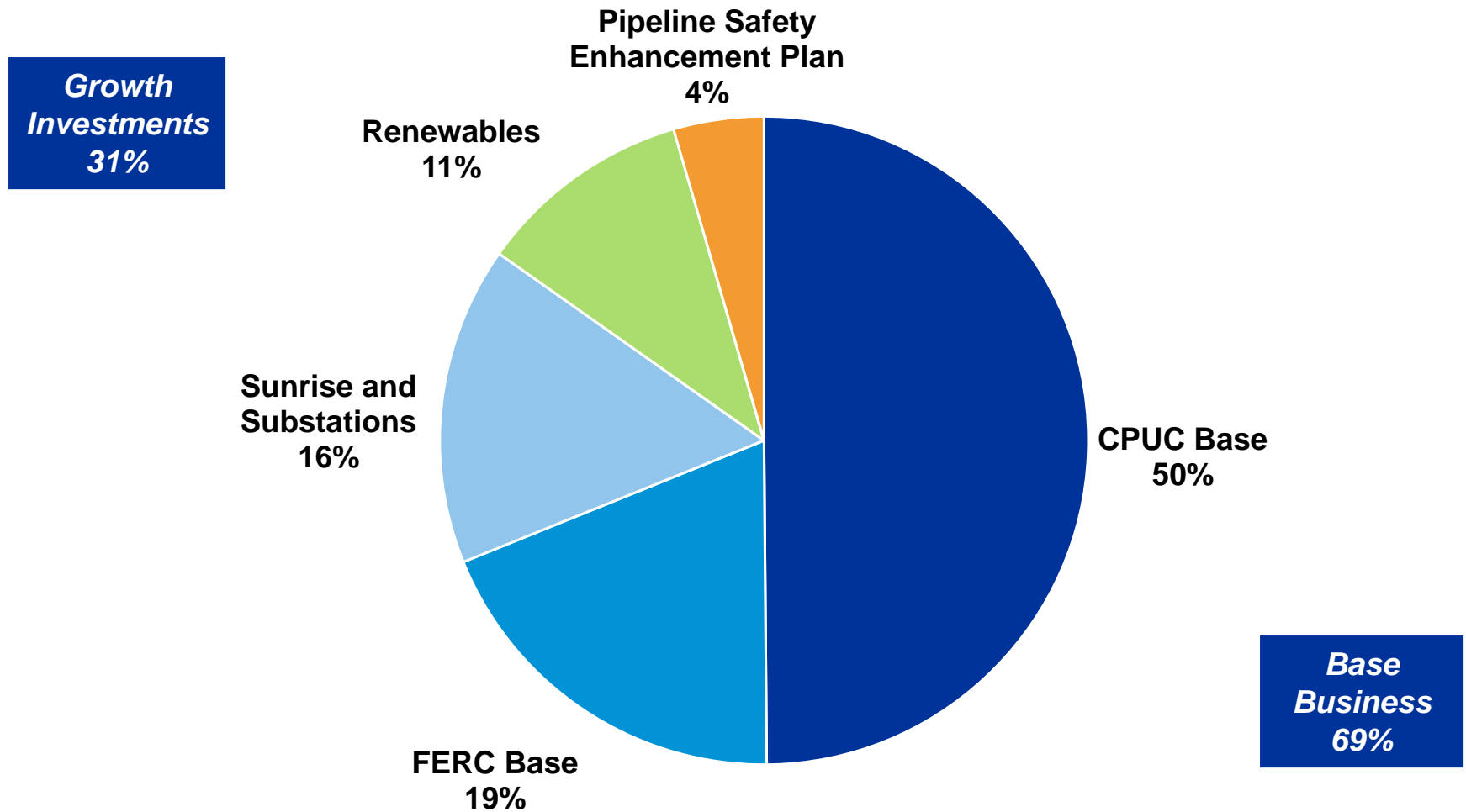
## CPUC Cost of Capital:

- ▶ Current authorized ROE of 11.10%
- ▶ Filing: April 2012
- ▶ Decision expected: Q4-12
- ▶ Effective: January 1, 2013

## FERC Formula:

- ▶ Current authorized ROE of 11.35%
- ▶ Expires: August 2013
- ▶ Filing: Early 2013
- ▶ Effective: September 1, 2013

# SDG&E 2012 - 2016 Capital Plan: \$5.8 Billion



# Sunrise Powerlink

- ▶ 500 kV transmission line scheduled to be in service mid-year 2012
- ▶ 2011 milestones achieved
  - \$1.5 billion invested
  - 70% of overall construction
- ▶ Expands access to lower cost renewable energy, enhances network and improves reliability





# Substation Investments

- ▶ \$900 million capital investment in FERC infrastructure

Substation	CPUC Decision Expected	In Service
ECO	First Half 2012	2014
South Bay Relocation	First Half 2012	2014
South Orange County	First Half 2013	2015 - 2017 (Phases)



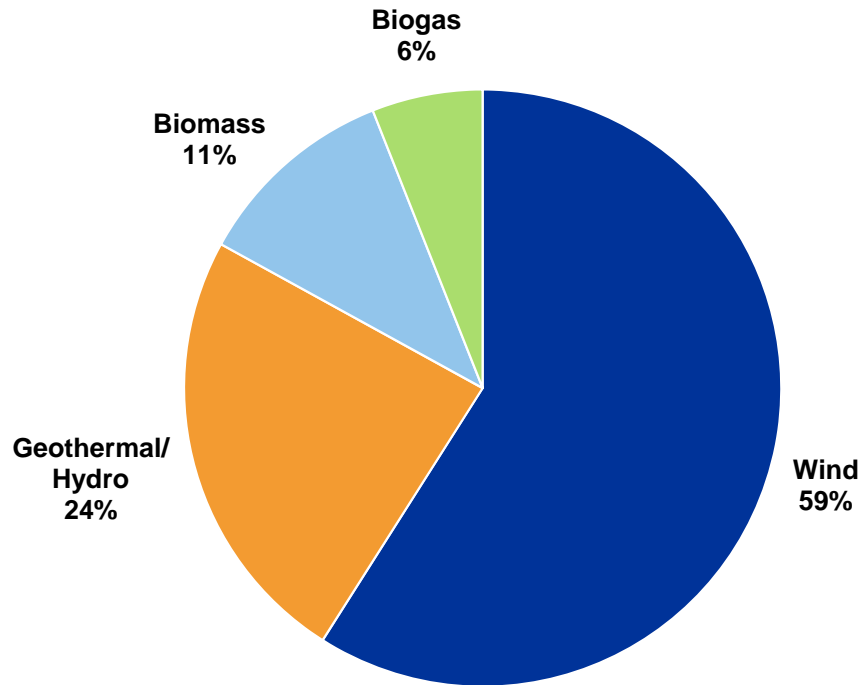
# Renewable Energy Investments

- ▶ \$600 million of wind and solar investments align with California's Renewable Portfolio Standards
  - Rim Rock wind project
    - \$280 million tax equity investment in Montana wind farm
    - Project approved and on schedule to be in service in late 2012
  - Additional wind and solar investments
- ▶ On track to meet state mandated goals (33% by 2020)

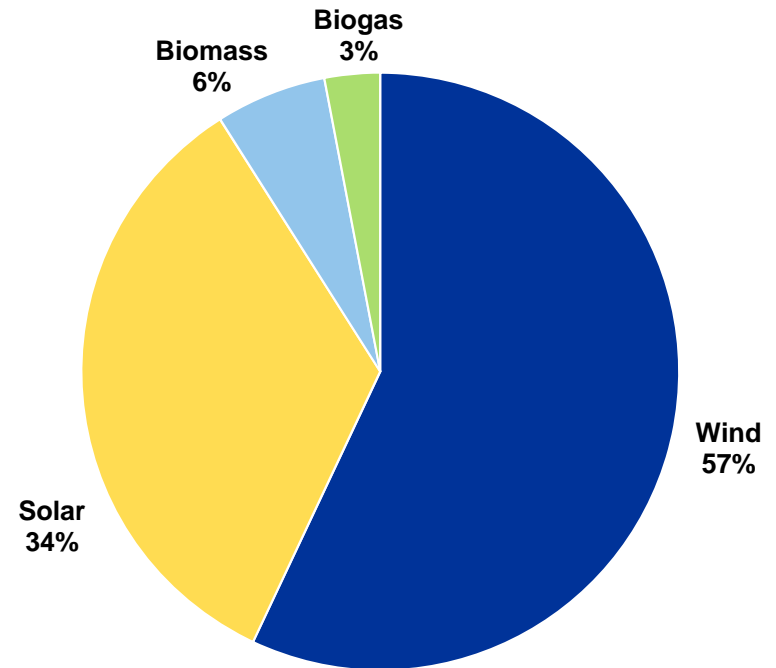


# Renewable Portfolio Standard Update

**2011: 21% Delivered**  
(2011 - 2013 goal is 20%)



**2016: >25% Under Contract**  
(2016 goal is 25%)



# Environmental and Technological Innovation

- ▶ Smart Meter
  - 2.2 million smart meters installed
  - One of the first utilities in the nation to complete mass deployment
- ▶ Smart Grid Deployment Plan
  - Filed in June 2011
  - Among the first and most comprehensive plans in the U.S.
- ▶ San Diego region a national leader in solar PV and electric vehicle adoption



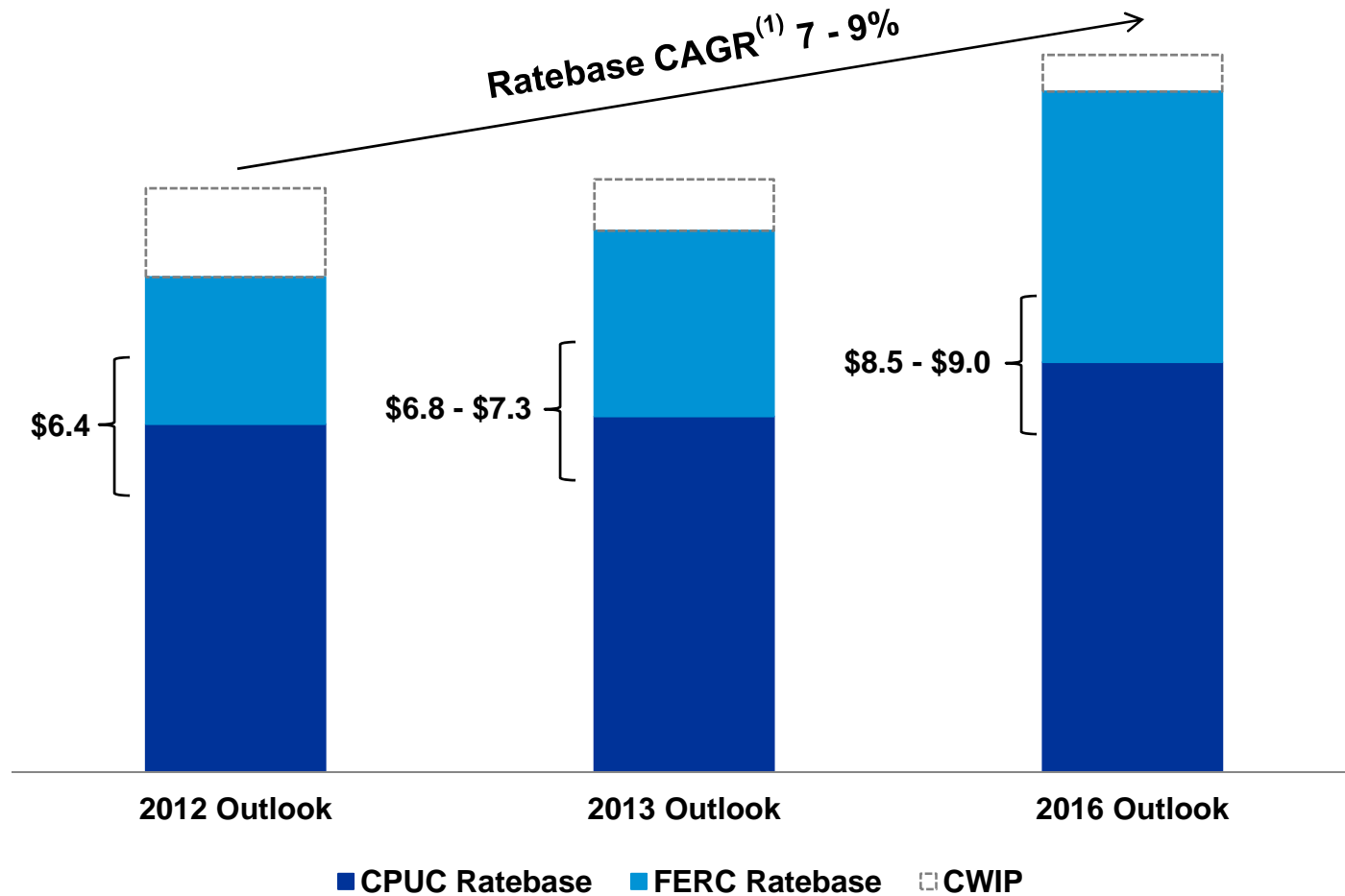
*Received Organizational Leadership Award at EPA Climate Leadership Conference*



*"Most Intelligent Utility" in the nation for the third year in a row<sup>(1)</sup>*

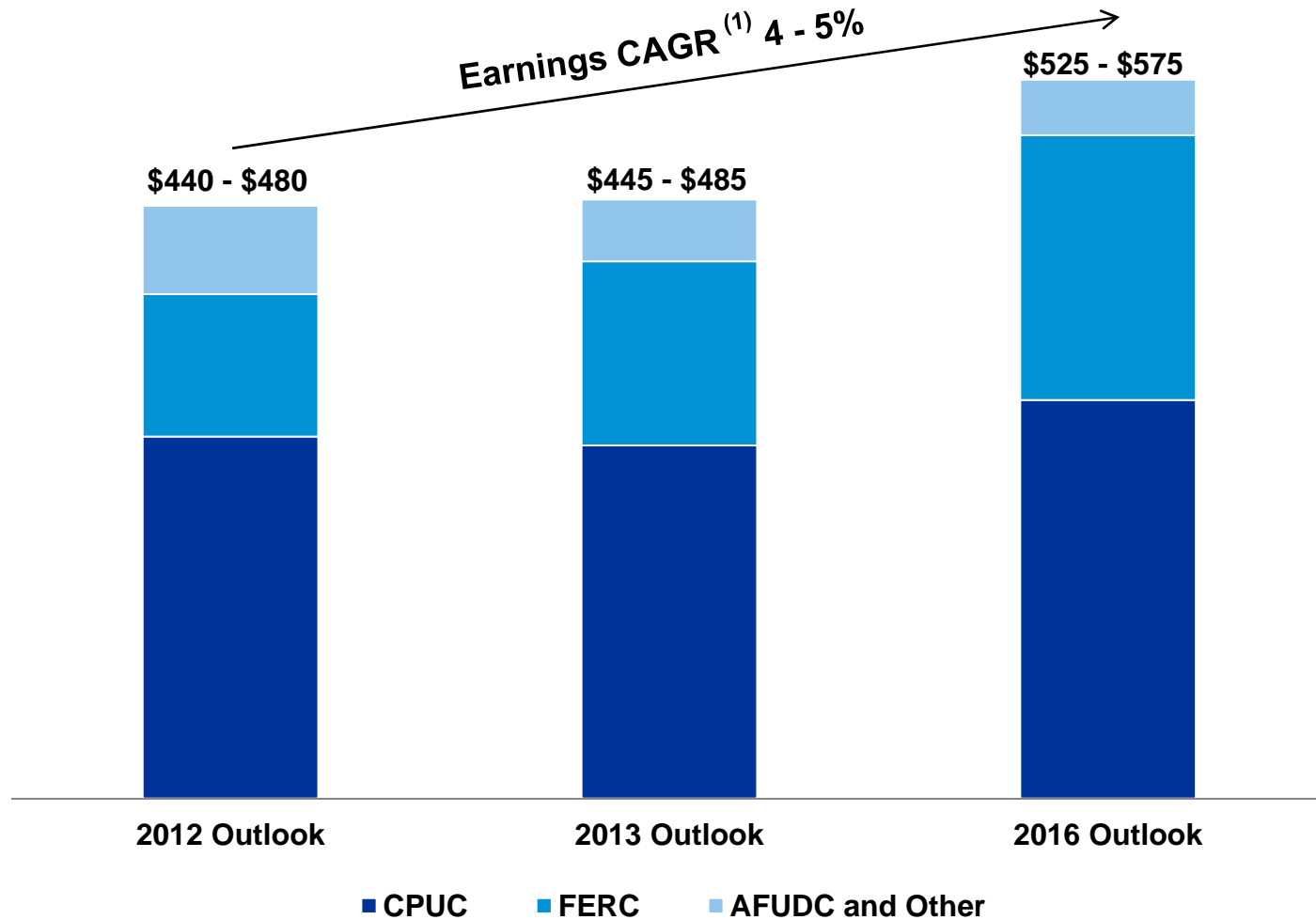
(1) By Intelligent Utility Magazine and IDC Energy Insights based on highest UtiliQ Rankings

# SDG&E Ratebase Growth (\$ in billions)



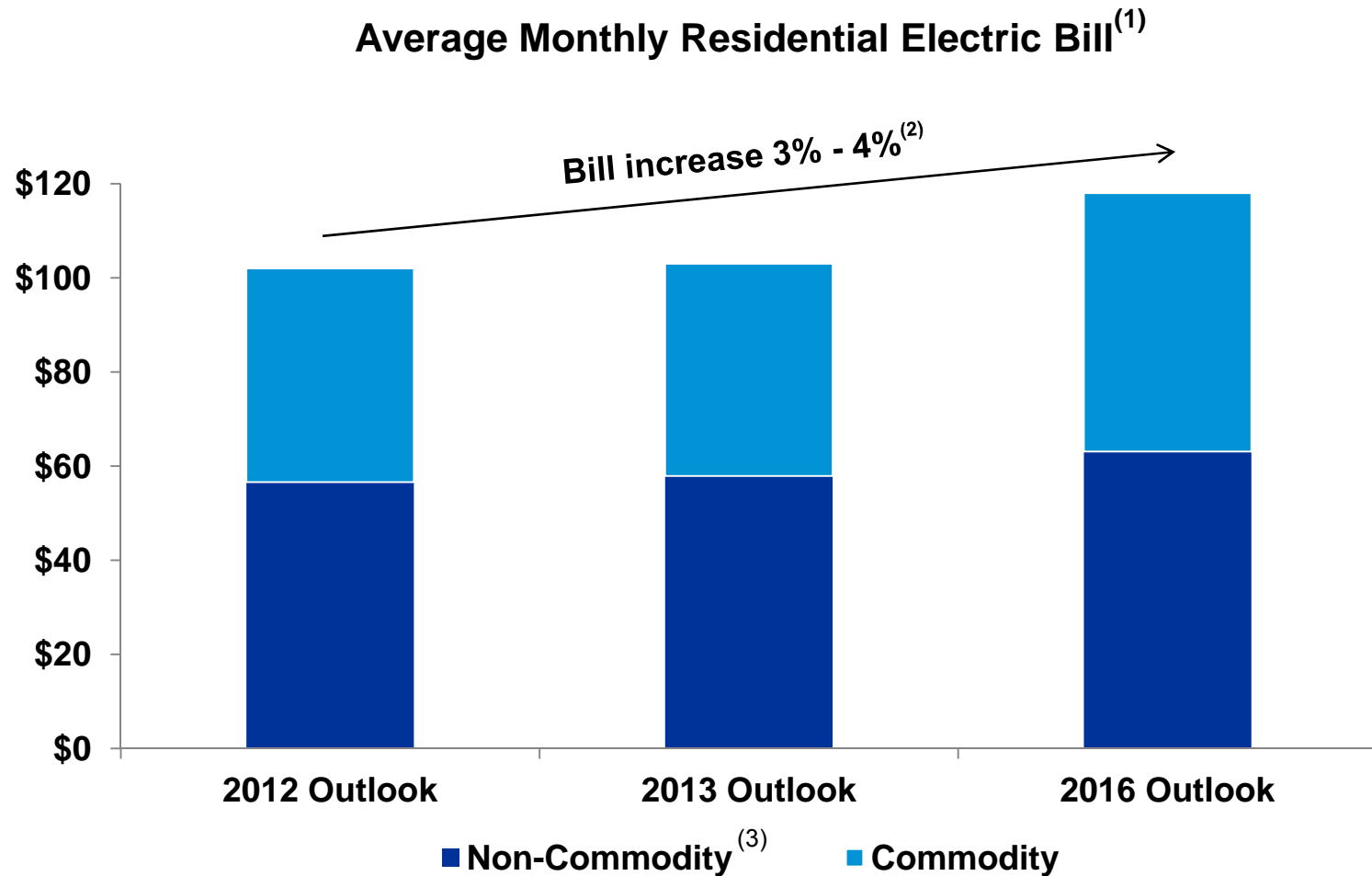
(1) Compound annual growth rate from 2012 to 2016

# SDG&E Earnings Growth (\$ in millions)



(1) Compound annual growth rate from 2012 to 2016

# SDG&E Estimated Consumer Electric Bill Impact



(1) Average typical bill for customers using 500 kWh/month on basic electric service

(2) Compound annual growth rate from 2012 to 2016

(3) Transmission, distribution and other

# SDG&E Outlook (\$ in millions)

Earnings		
2012	2013	2016
\$440 - \$480	\$445 - \$485	\$525 - \$575

Capital Expenditures & Investments		
2012	2013	2014 – 2016 Average
\$1,400	\$1,170 - \$1,270	\$1,000 - \$1,100

Ratebase		
2012	2013	2016
\$6,400	\$6,800 - \$7,300	\$8,500 - \$9,000



# Summary

---

- ▶ Operational excellence
  - Best-in-class reliability and strong safety record
  - Proven project management and execution
  - Providing greater access to affordable renewable energy
- ▶ Innovative company
  - Implementing technology to enhance efficiency and reliability
  - Recognition by peers and regulators as industry leader
- ▶ Continued financial strength
  - Growing and predictable earnings
  - Investments that provide customer value align with state policy



# Appendix

---

# Financial Plan Drivers

---

- ▶ Anticipated capital investment (2012 – 2016)
  - FERC: \$2.0 billion
  - CPUC: \$3.8 billion
- ▶ Anticipated ratebase growth (2012 – 2016 CAGR)<sup>(1)</sup>
  - FERC: 17%
  - CPUC: 4%
- ▶ Current authorized return on equity
  - FERC: 11.35%
  - CPUC: 11.10%
- ▶ Effective income tax rates range from 36% to 37%
- ▶ Capital program funded with operating cash flows and debt financing

(1) Compound annual growth rate based upon midpoint of 2016 ratebase outlook

# Current Capital Structure/Authorized Return

	Authorized Capital Structure	Authorized Return
CPUC Long-Term Debt	45.25%	5.62%
CPUC Preferred Equity	5.75%	7.25%
Common Equity		
CPUC	49.00%	11.10%
FERC		11.35%



# International Utilities & Energy Infrastructure

---

Mark Snell | President

**Analyst Conference**

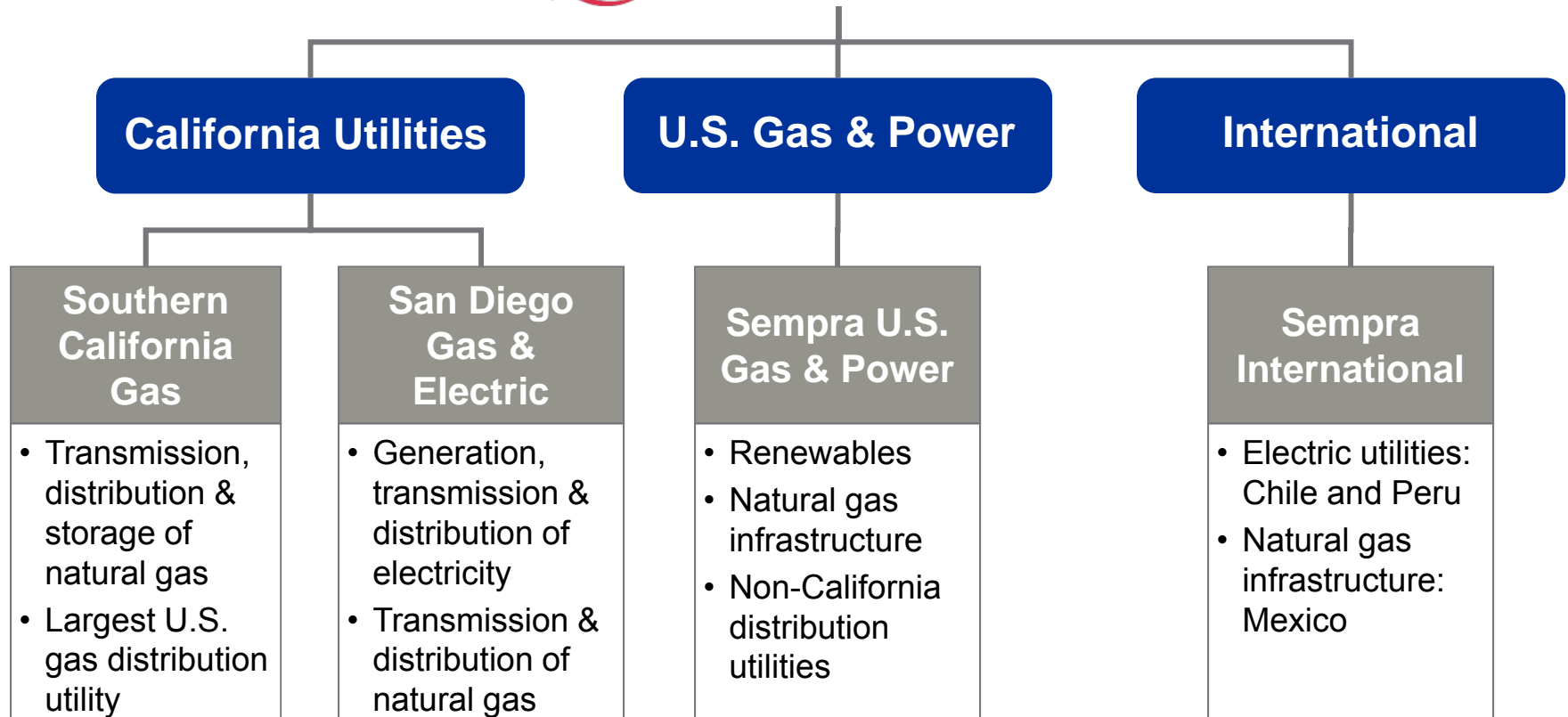
March 29, 2012

# Agenda

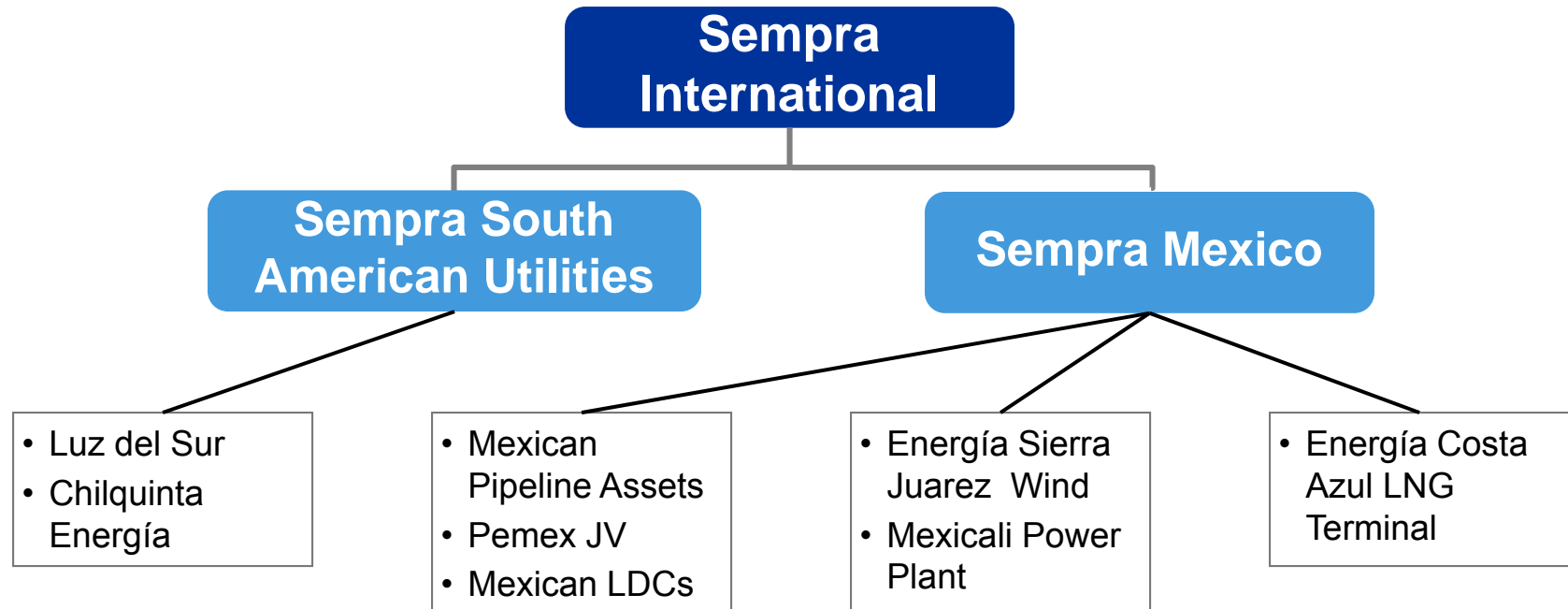
---

- ▶ Overview of New Structure
- ▶ Mapping of Operational Units
- ▶ Value Optimization of Assets
  - Gas-Fueled Generation
  - Natural Gas Storage
  - Liquefaction

# New Organizational Structure

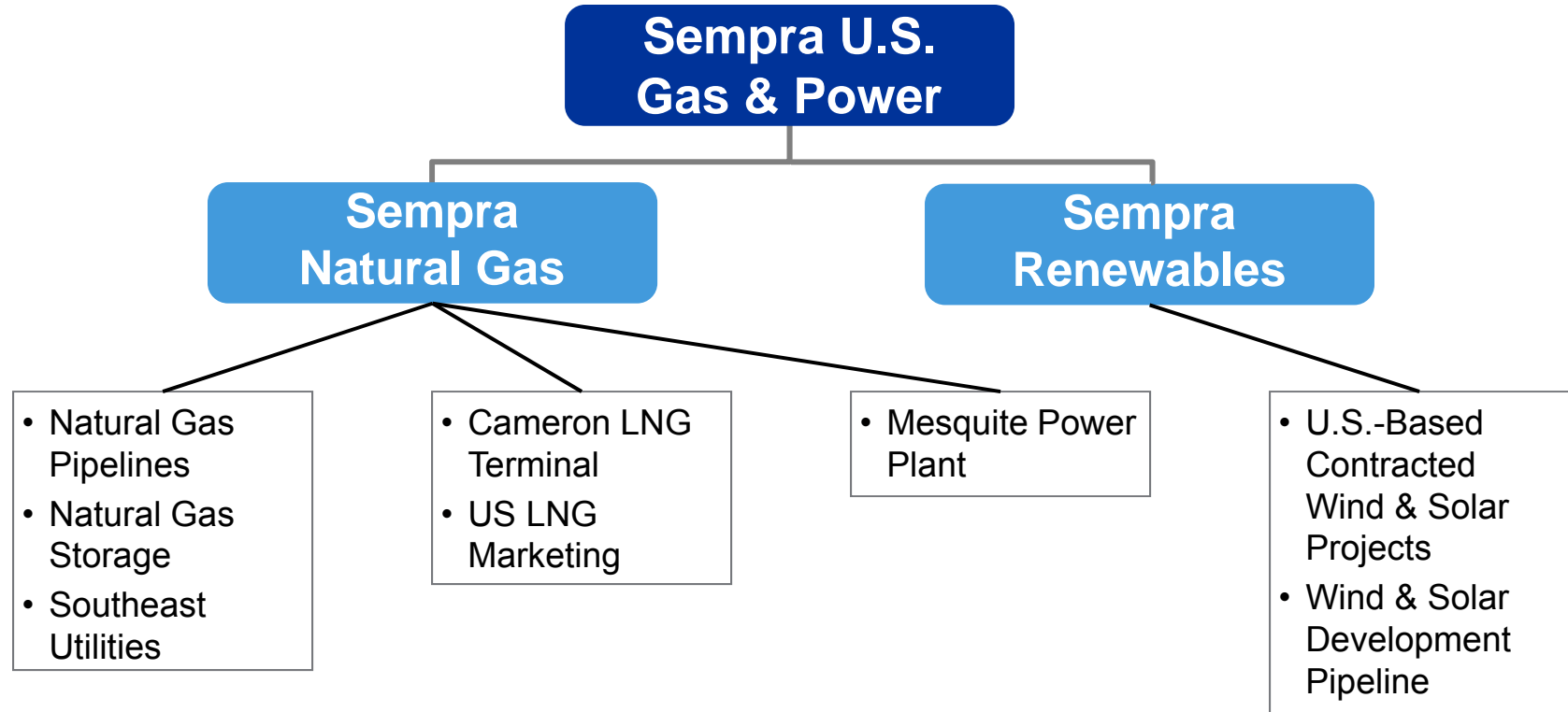


# Sempra International Assets





# Sempra U.S. Gas & Power Assets



# Asset Value Optimization

---

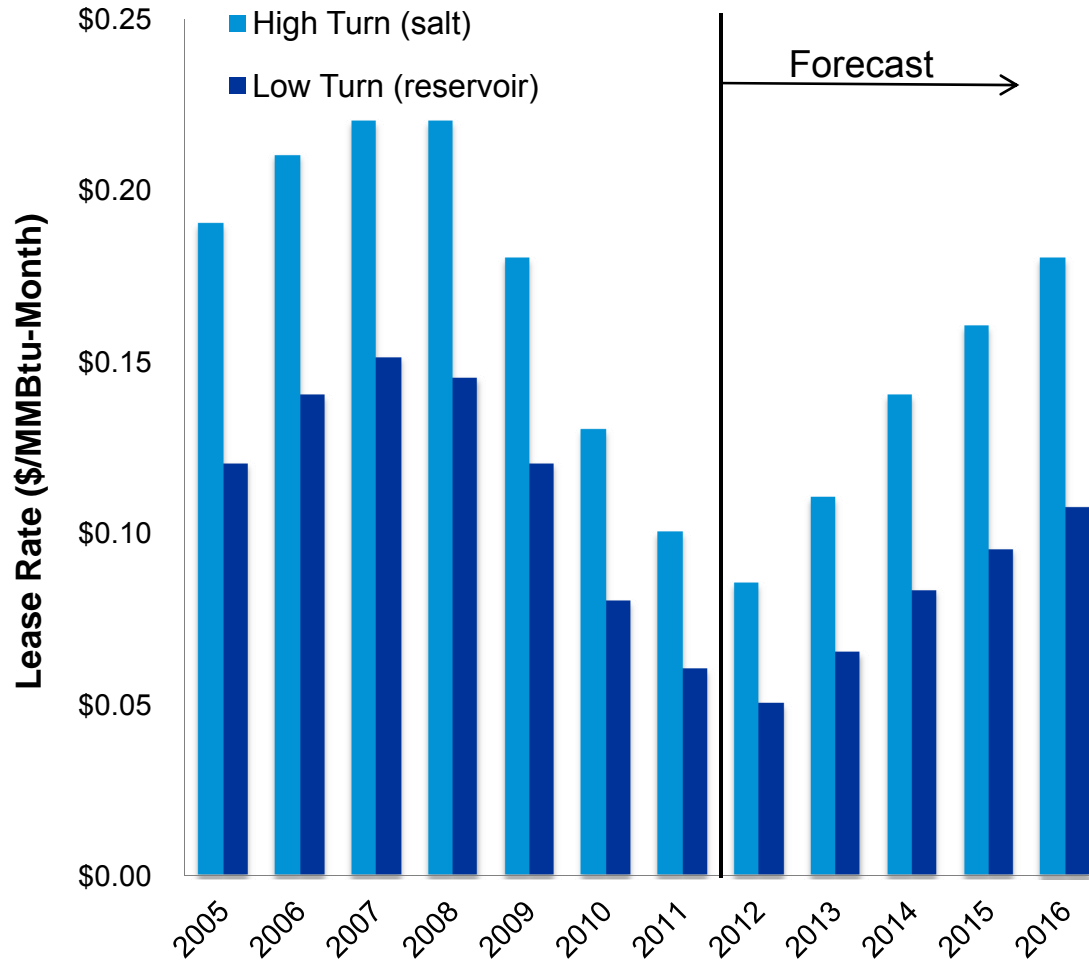
- ▶ Assessed strategic fit of all assets
- ▶ Compare market values of non-strategic assets relative to currently generated returns
- ▶ Look to divest assets where sale proceeds can drive reinvestment returns better than what we currently earn
- ▶ Plan to hold assets where market values are currently low and where we expect asset performance to improve over time
- ▶ Optimize capital structure for each asset class

# Natural Gas-Fueled Generation

---

- ▶ 1,875 MW of largely un-contracted combined-cycle natural gas generating plants
  - Mesquite (Arizona): 1,250 MW
  - Mexicali (Baja California, Mexico): 625 MW
- ▶ Seeking long-term contracts to improve value of two remaining plants
  - Target \$150 million of EBITDA by 2016
- ▶ Continue to test the market for reasonable transaction value
  - Current book value of \$470 / kW
  - Recent contracts reflect a value of \$600+ / kW

# Midstream Storage Market Cycle



## Current Conditions

- ▶ Oversupplied gas market has dampened volatility and seasonal spread
- ▶ Market not valuing higher cycle storage
- ▶ Market cycle at or near bottom

## Expectations

- ▶ Market should support rebound in storage returns
  - ▶ Coal-to-gas switching
  - ▶ LNG export
  - ▶ Other natural gas usage

# LNG Asset Overview

## Energía Costa Azul



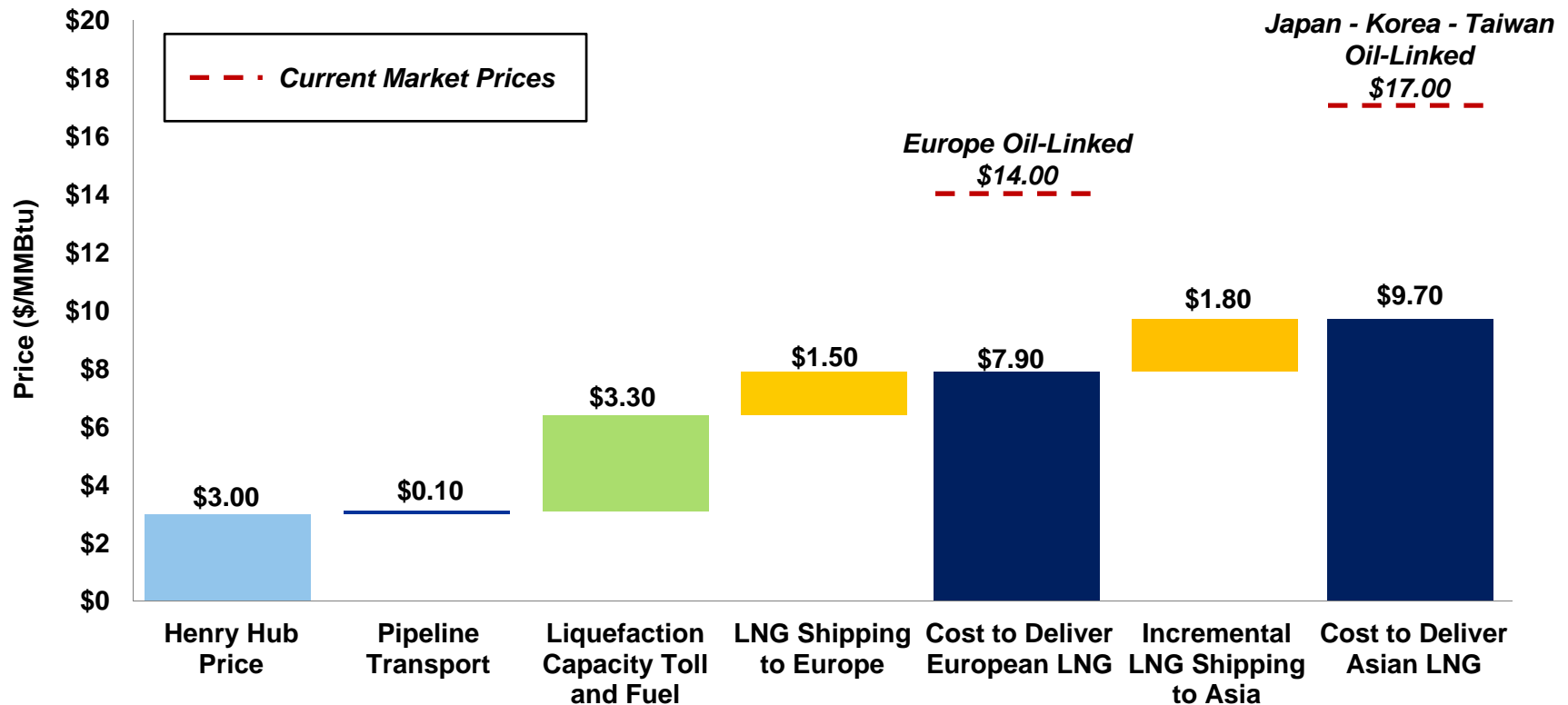
- ▶ 1.0 Bcfd firm gas send-out
- ▶ 1 berth accommodating up to Q-Max size ships
- ▶ 2 x 160,000 m<sup>3</sup> LNG storage (~7 Bcf) total
- ▶ Fully contracted until 2028
- ▶ Generates ~\$175 million of EBITDA annually

## Cameron LNG



- ▶ 1.5 Bcfd firm gas send-out
- ▶ 2 berths accommodating up to Q-Flex size ships
- ▶ 3 x 160,000 m<sup>3</sup> LNG storage (~10 Bcf) total
- ▶ ~40% contracted through 2029
- ▶ Positive cash flow based on existing capacity contract
- ▶ Liquefaction export project provides upside opportunity

# Estimated Economics of Brownfield Liquefaction<sup>(1)</sup>



- ▶ U.S. Gulf Coast brownfield liquefaction export project can competitively deliver LNG into either the European or Asian markets

(1) Illustrative economics for a customer under a liquefaction tolling arrangement assuming current market conditions. Customer purchases natural gas, transports gas to liquefaction project, pays a liquefaction tolling fee and fuel in-kind, and ships LNG to market.

# Cameron Liquefaction Export Project Overview

- ▶ 2 to 3 liquefaction trains; each train with ~4 Mtpa<sup>(1)</sup> (up to 12 Mtpa or 1.7 Bcfd) of LNG export capability
- ▶ Plan to use commercially proven liquefaction process technology from Air Products under competitively bid EPC contract
- ▶ Expect to obtain tolling capacity contracts without commodity price risk
- ▶ Plan to fully contract existing assets to drive attractive overall rate of return



(1) Million tonne per annum; each 1 Mtpa equivalent to ~140 million cubic feet per day

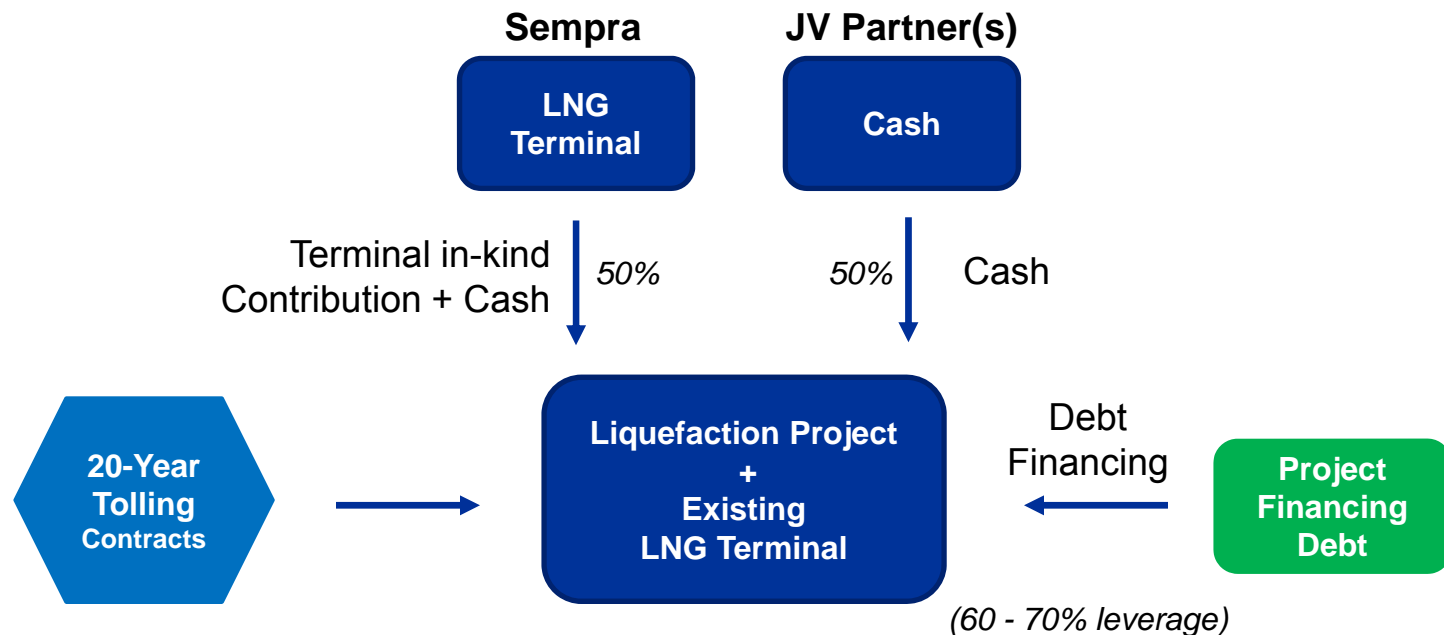
# Competitive Advantages of Cameron

Attribute	Advantage	Implication
<b>Location</b>	<ul style="list-style-type: none"> <li>• In US Gulf of Mexico, near abundant shale resources</li> <li>• Brownfield expansion of existing terminal</li> <li>• Large land position accommodates liquefaction facility</li> </ul>	<ul style="list-style-type: none"> <li>• Lower cost development with significant parts of facility, including LNG storage tanks and marine facilities, already in operation</li> </ul>
<b>Commercial</b>	<ul style="list-style-type: none"> <li>• Strong interest from large, global counterparties</li> <li>• Terminal and connecting pipeline owned by Sempra</li> <li>• Regulation allows for market based rates</li> </ul>	<ul style="list-style-type: none"> <li>• Flexibility to structure tolling based contracts</li> <li>• Synergies with existing Sempra assets</li> <li>• Ability to maximize returns through market based rates</li> </ul>



# Project Structure – Cameron Joint Venture Example

- ▶ \$5 to \$6 billion incremental capital cost for 12 Mtpa<sup>(1)</sup> LNG export facility
- ▶ Expect equity partner(s) and use of project financing to minimize Sempra's incremental investment
  - Potential for up to 50% ownership by JV partners



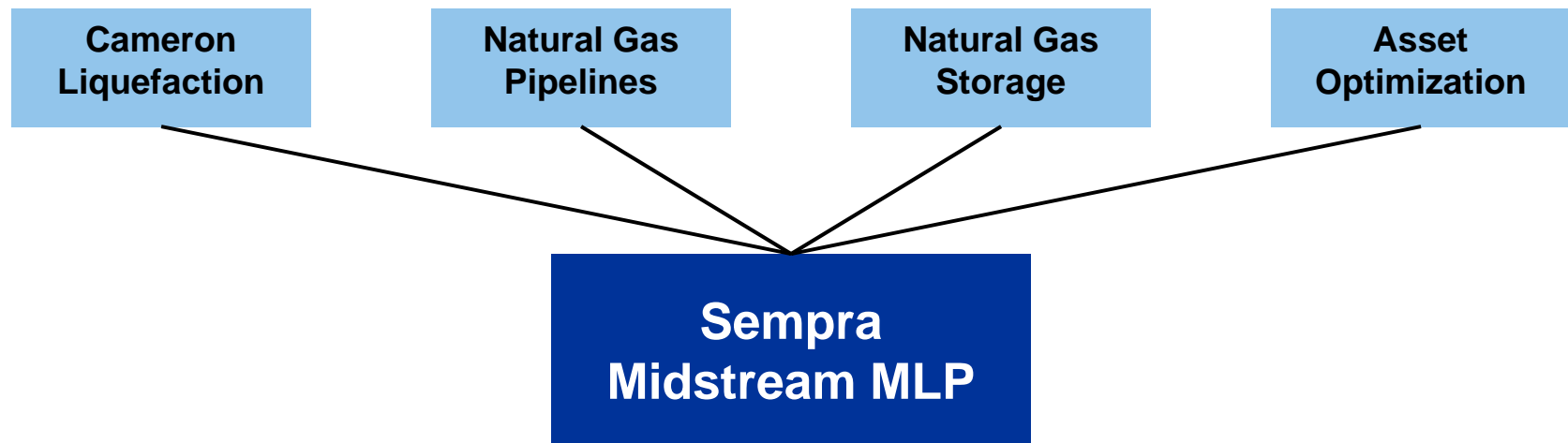
(1) Million tonne per annum; capital cost assumed to be \$400 - \$500 / tonne of capacity

# Project Timeline

Major Milestones	Target Date
<b><i>Completed</i></b>	
DOE Free Trade Agreement (FTA) Permit Received	✓
Owner's Engineer Selected	✓
Financial Advisor for Project Financing Selected	✓
Non-FTA Permit Application Filed	✓
<b><i>Underway</i></b>	
Commercial Development Agreements with Customers FERC Permit Pre-filing	Q2-12
Front End Engineering Design Tolling Agreements with Customers DOE Non-FTA Permit	2H-12
EPC Contract	2013
<b><i>Upcoming</i></b>	
FERC Permit	2H-13
Final Investment Decision	2H-13
Commercial Operations	2016/2017

# Liquefaction Could Underpin Midstream MLP

- ▶ Successful contracting of Cameron liquefaction project could serve as the future basis for a robust midstream MLP
- ▶ Provides efficient structure to grow and optimize capital structure of midstream assets



# Summary

---

- ▶ New operating units enhance overall integration of assets
  - Guidance provided for four operating units
  - Seven reporting segments will provide greater transparency
- ▶ Key outcomes following extensive review of assets not meeting our expectations:
  - Actively pursuing contracted generation opportunities, but may look to divest Western plants
  - Natural gas storage market is at historically low levels, but should rebound with economic recovery
  - LNG export from Cameron provides a compelling opportunity to enhance the returns on our existing infrastructure



# Sempra U.S. Gas & Power

---

Jeff Martin | President and CEO

**Analyst Conference**

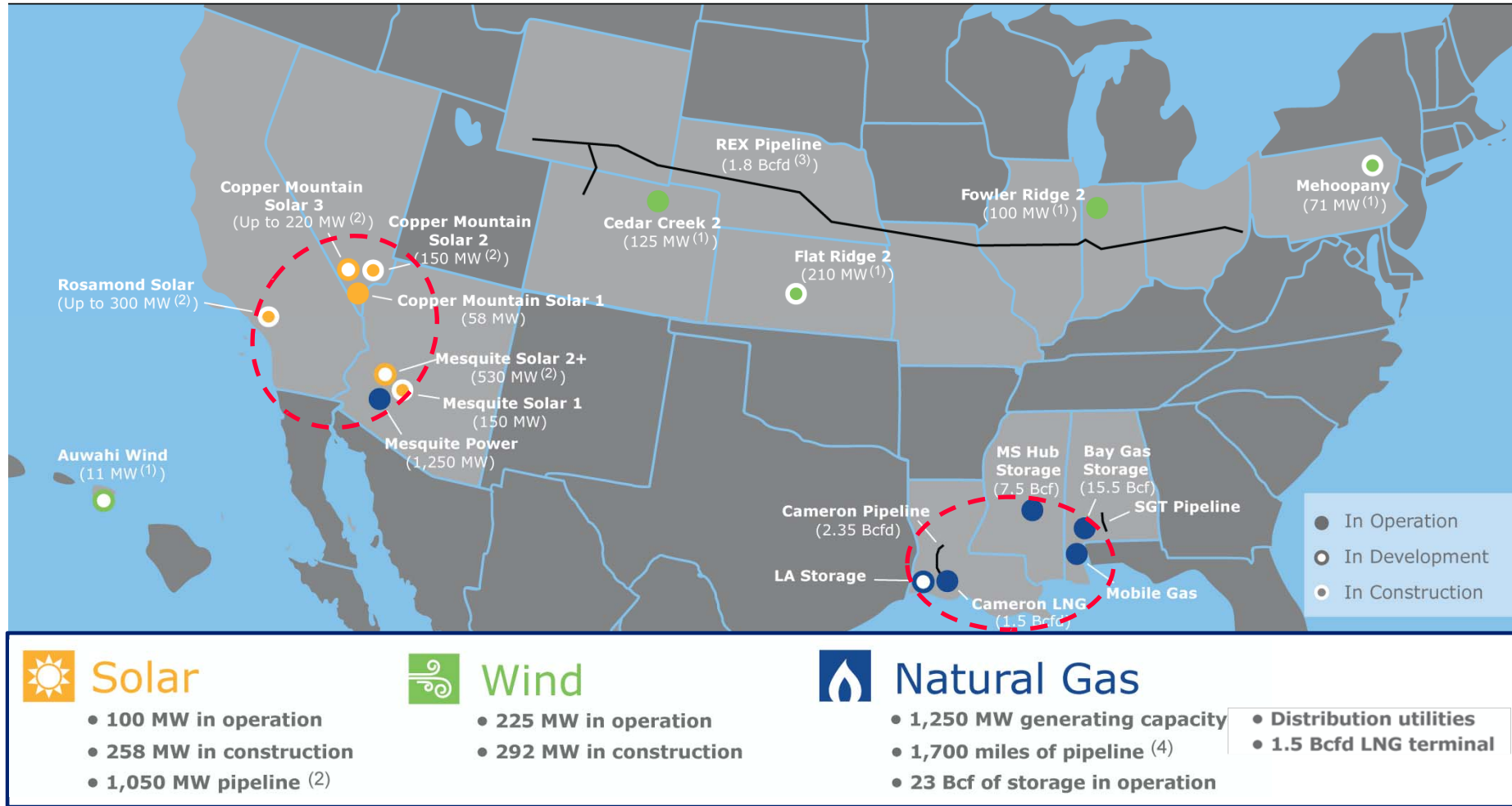
March 29, 2012

# Outline

---

- ▶ Overview
- ▶ Accomplishments
- ▶ Objectives
- ▶ Renewables
- ▶ Natural Gas
- ▶ Growth
- ▶ Outlook
- ▶ Summary

# Sempra U.S. Gas & Power Asset Overview



- (1) Reflects Sempra's net ownership interest  
 (2) Reflects total potential capacity of solar project(s) at full build-out; Sempra's net ownership interest expected to be 50%  
 (3) Sempra ownership interest is 25%  
 (4) Includes joint ventures

# 2011 Accomplishments

## Renewable Energy

- Completed Cedar Creek 2 wind farm (125 MW)<sup>(1)</sup>
- Installed 42 MW at Mesquite Solar 1 (150 MW)
- Started construction on Copper Mountain Solar 2 (150 MW)<sup>(2)</sup>
- Secured contracts with Maui Electric for Auwahi Wind (11 MW)<sup>(1)</sup>
- Secured contract with SDG&E for Energía Sierra Juárez<sup>(3)</sup> wind (up to 78 MW)<sup>(1)</sup>
- Acquired 50% ownership of two wind projects under construction
  - Mehoopany Wind (71 MW)<sup>(1)</sup>
  - Flat Ridge 2 Wind (210 MW)<sup>(1)</sup>

## Natural Gas

- Secured 25-year power purchase contract with Southwest Public Power Resources Group (241 MW)
- Sold El Dorado Energy<sup>(4)</sup> CCGT (480 MW) to San Diego Gas & Electric



(1) Reflects Sempra's net ownership  
 (2) Reflects total capacity of project; Sempra's net ownership interest expected to be 50%  
 (3) Executed prior to transfer of asset to Sempra International  
 (4) Facility has been renamed Desert Star Energy Center



# 2012 Objectives

## Renewables

- ▶ Complete Flat Ridge 2 Wind (210 MW)<sup>(1)</sup>
- ▶ Complete Mehoopany Wind (71 MW)<sup>(1)</sup>
- ▶ Complete first phase of Copper Mountain Solar 2 (92 MW)<sup>(2)</sup>
- ▶ Install 100 MW at Mesquite Solar 1 (150 MW)
- ▶ Complete Auwahi Wind (11 MW)<sup>(1)</sup>

## Natural Gas

- ▶ Complete 7.5 Bcf of storage capacity at Mississippi Hub
- ▶ Continue contracting and optimizing storage
- ▶ Secure additional mid- and long-term contracts for Mesquite Power CCGT
- ▶ Complete acquisition of Willmut Gas



(1) Reflects Sempra's net ownership interest

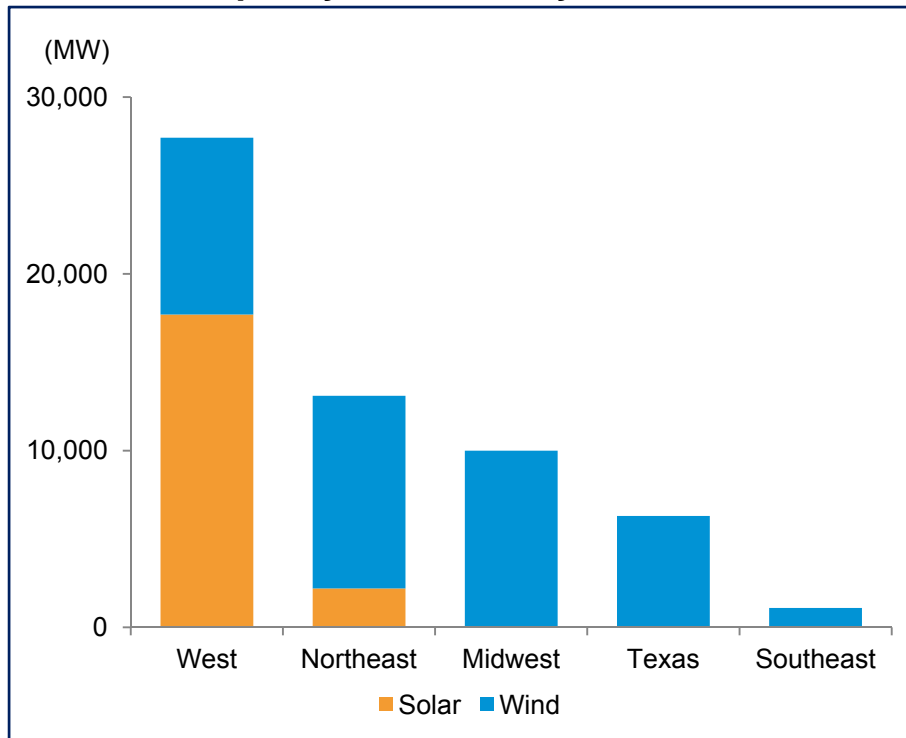
(2) Reflects total capacity of project; Sempra's net ownership interest expected to be 50%

(3) Photo simulation

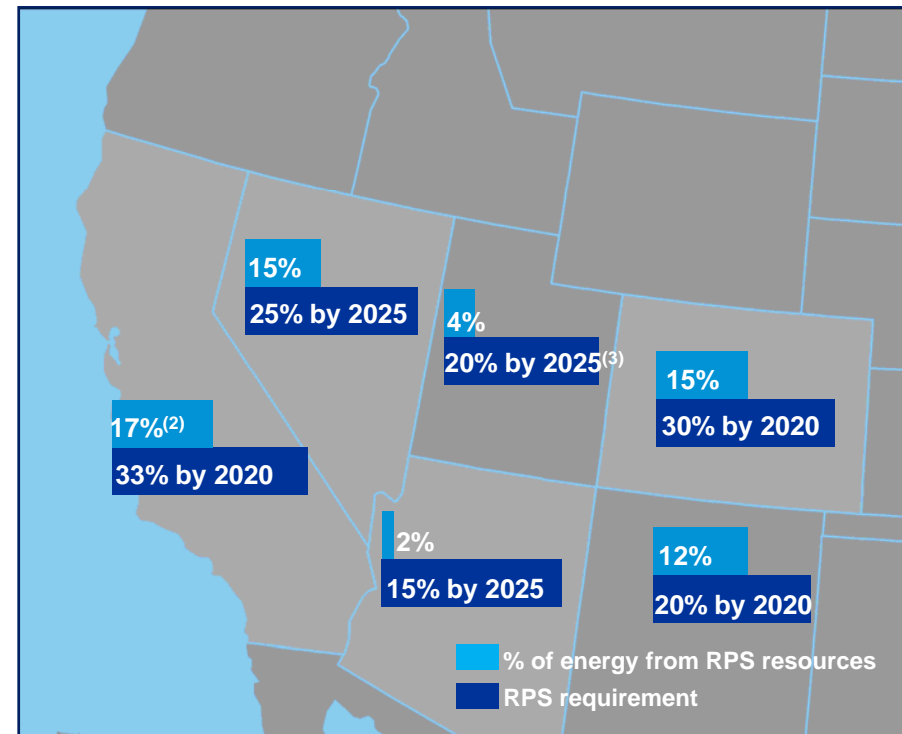
# Renewable Market

- ▶ 36 states have adopted Renewable Portfolio Standards
- ▶ West expected to lead renewable build-out by 2020

Capacity Additions by 2020<sup>1</sup>



Renewable Compliance Snapshot



(1) Source: Wood Mackenzie, Fall 2011

(2) Includes investor-owned utilities only as of Dec. 2010. Final year-end 2011 summary data combined for all utilities has not been officially released by the CPUC

(3) Voluntary goal

# Solar: Maximizing Existing Land Positions



Operating		
Copper Mountain Solar 1	58 MW	2008 / 2010
Mesquite Solar 1	42 MW	2011
<b>Total</b>	<b>100 MW</b>	

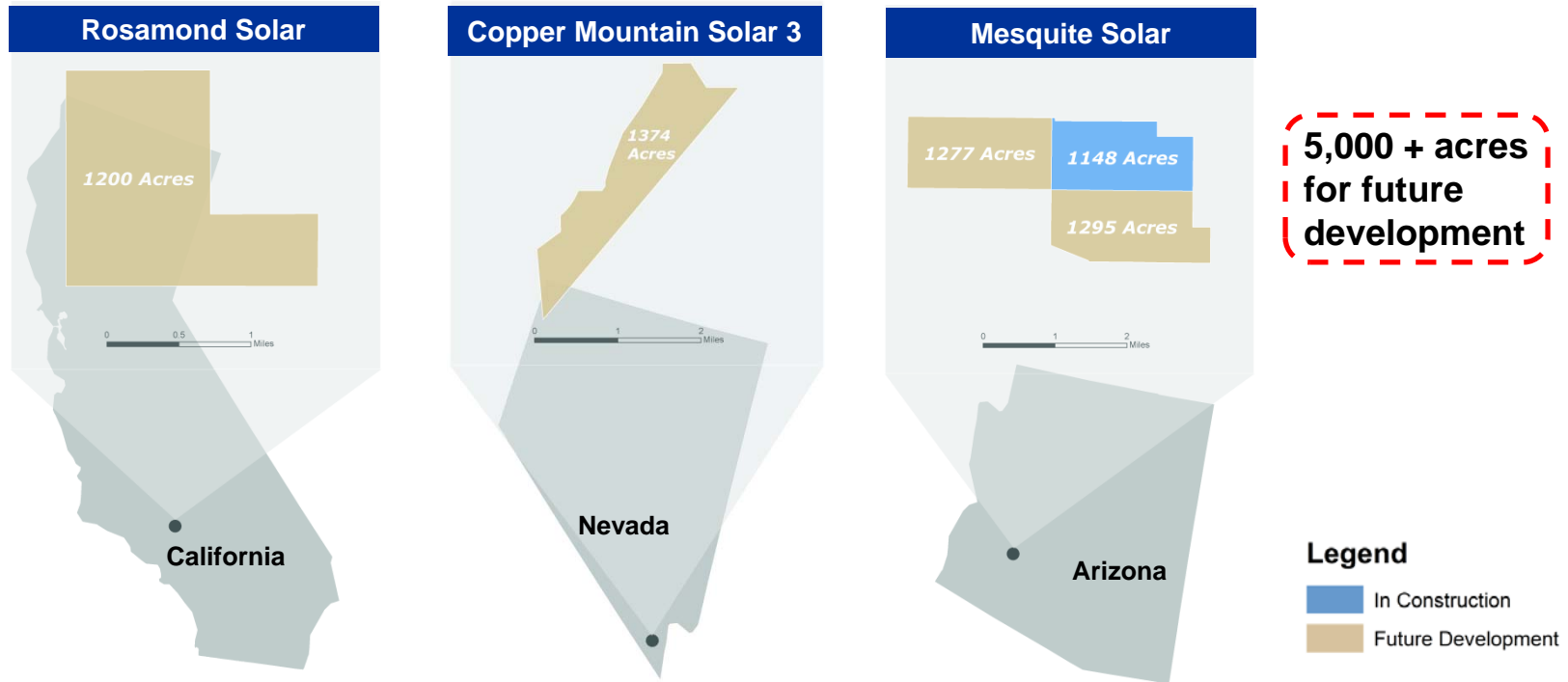
Construction		
Mesquite Solar 1	108 MW	2013
Copper Mountain Solar 2	150 MW <sup>(1)</sup>	2012 / 2015
<b>Total</b>	<b>258 MW</b>	

- ▶ Strategic sites in Southwest adjacent to transmission
- ▶ 1,050 MW development pipeline<sup>(2)</sup>
- ▶ Goal to joint-venture on solar where structurally favorable
- ▶ Possible solar for wind swaps

(1) Reflects total capacity of project; Sempra's net ownership interest expected to be 50%

(2) Reflects total potential solar capacity at full build-out; Sempra's net ownership interest expected to be 50%

# Solar: Future Opportunities



Future Opportunities			
Project	Total Capacity	Expected Net Capacity <sup>(1)</sup>	State
Rosamond Solar	300 MW	150 MW	California
Copper Mountain Solar 3	220 MW	110 MW	Nevada
Mesquite 2+	530 MW	265 MW	Arizona

(1) Assumes expected future joint ventures on solar projects

# Wind: Growing Through Partnerships



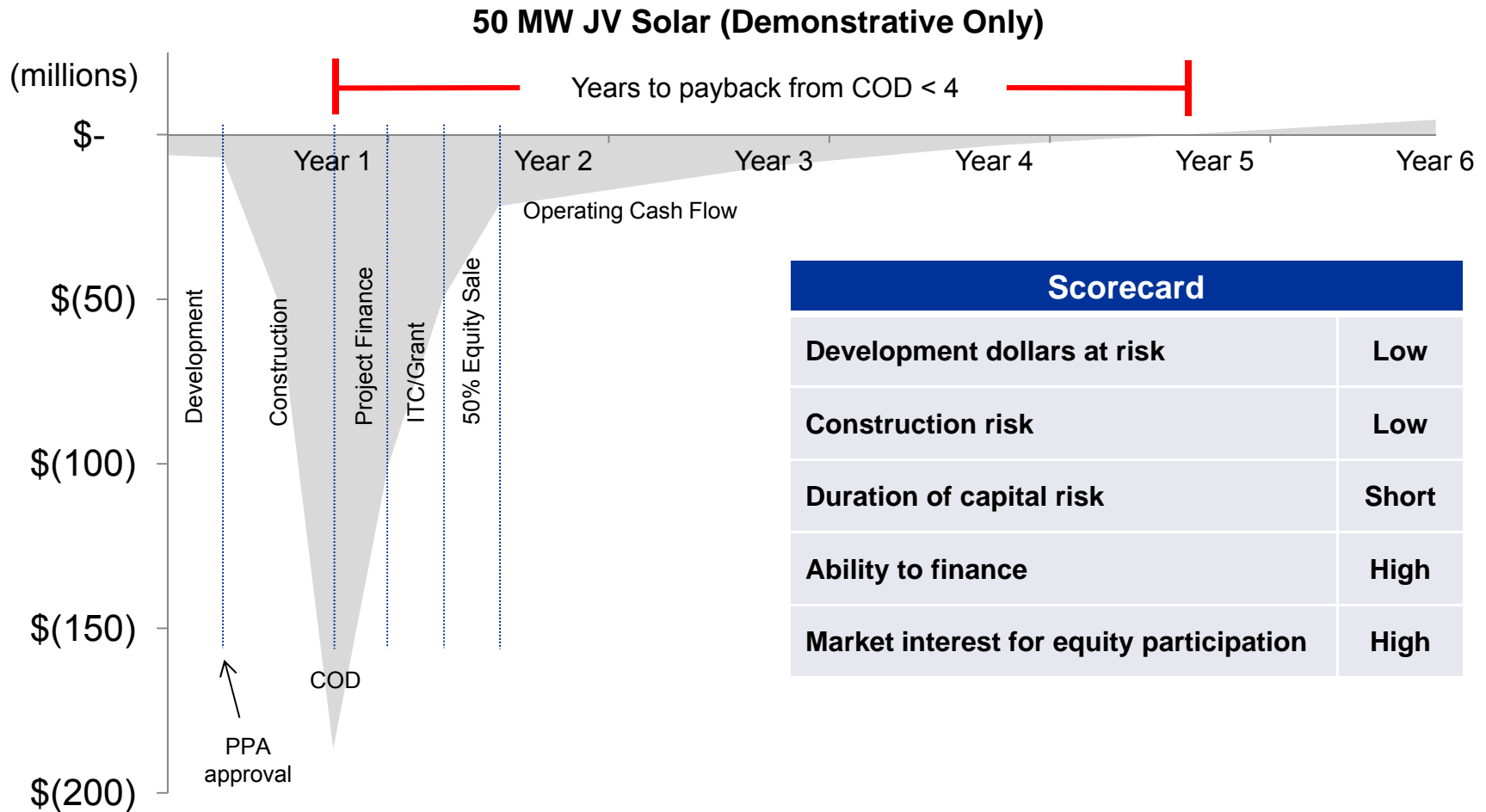
- ▶ Growing portfolio via 50/50 partnership model
- ▶ Installing 292 MW of generating capacity in 2012
- ▶ Benefiting from fully-contracted assets under long-term agreements
- ▶ Providing resource, geographic and counterparty diversity

Operating <sup>(1)</sup>		
Fowler Ridge 2	100 MW	2009
Cedar Creek 2	125 MW	2010
<b>Total</b>	<b>225 MW</b>	

Construction <sup>(1)</sup>		
Flat Ridge 2	210 MW	2012
Mehoopany	71 MW	2012
Auwahi Wind	11 MW <sup>(1)</sup>	2012
<b>Total</b>	<b>292 MW</b>	

(1) Reflects Sempra's net ownership interest

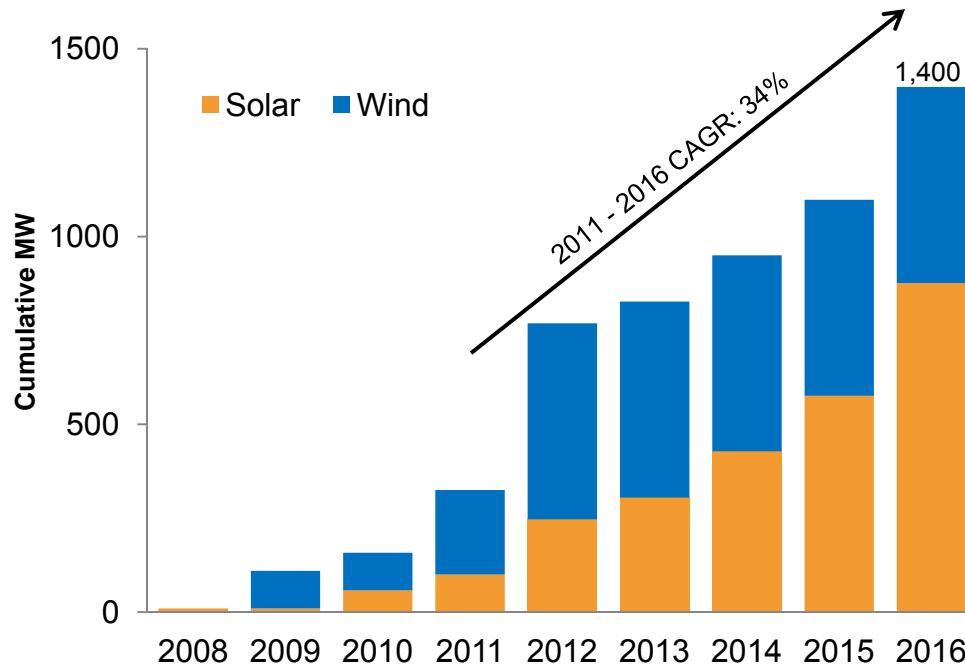
# Model Solar Project: Cumulative Cash Flow



Scorecard	
Development dollars at risk	Low
Construction risk	Low
Duration of capital risk	Short
Ability to finance	High
Market interest for equity participation	High

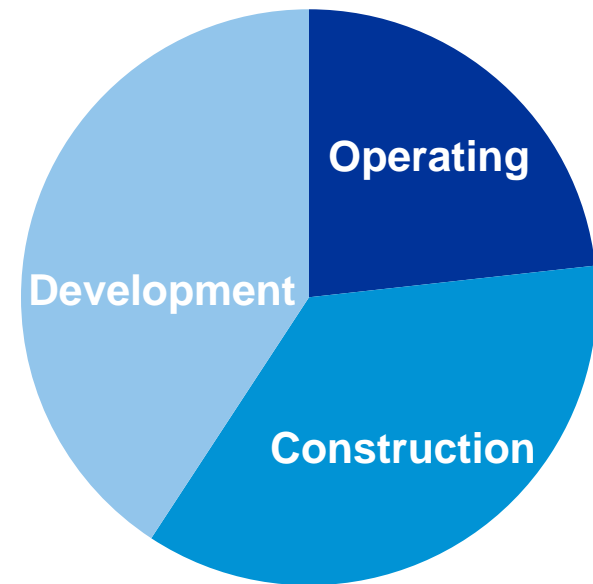
# Renewable Growth<sup>(1)</sup>

Historic and Projected Growth



- ▶ 10-year average ROE: >20%
- ▶ Average contract term: 22 years

2016 Target: 1,400 MW



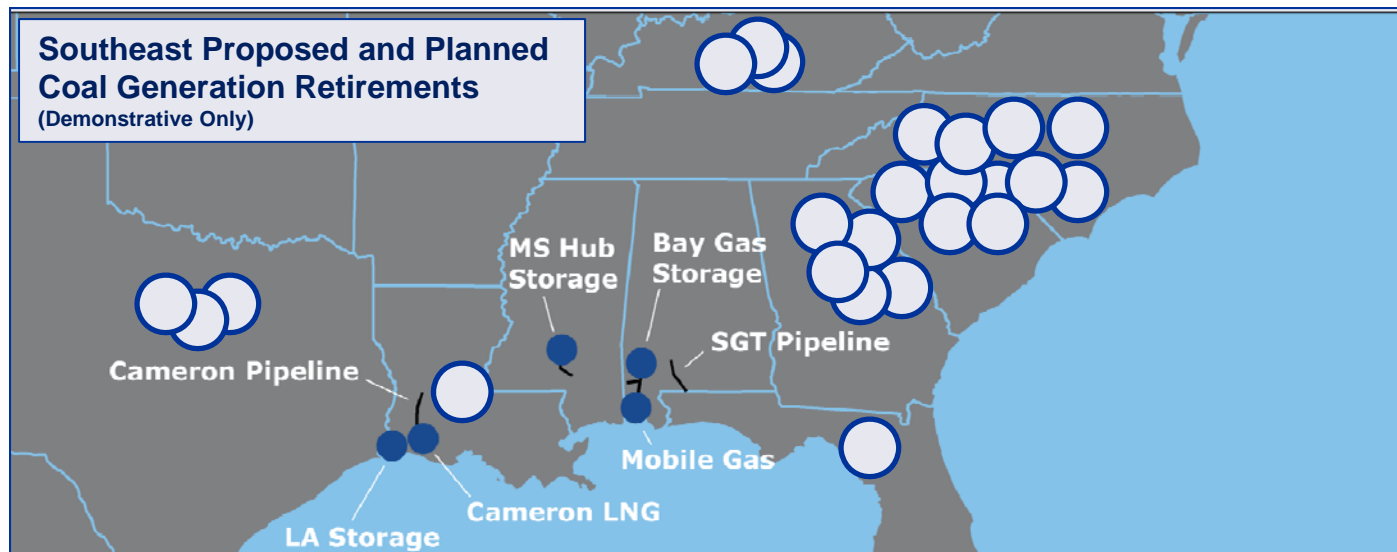
- ▶ Nearly 60% of 2016 capacity target is currently operating or under construction

(1) Assumes 50% ownership of wind and solar project capacity excluding Copper Mountain Solar 1 (58 MW) and Mesquite Solar 1 (150 MW).



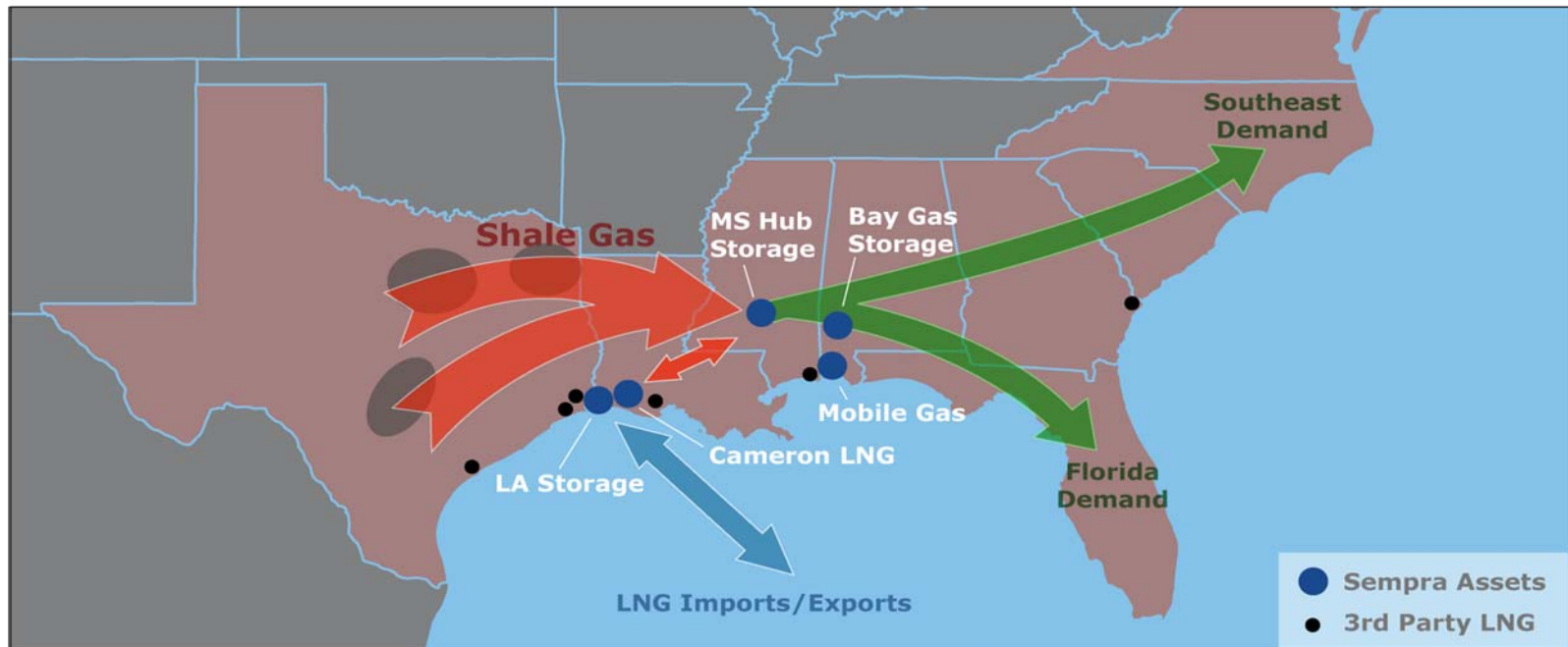
# Natural Gas Market

- ▶ EPA regulations expected to result in retirement of up to 60 GW of coal fired-generation by 2020
- ▶ Increase in shale production positions natural gas as dominant fuel
- ▶ Natural gas consumption expected to increase from 66 Bcfd to 78 Bcfd by 2020
- ▶ Southeast region expected to lead demand growth





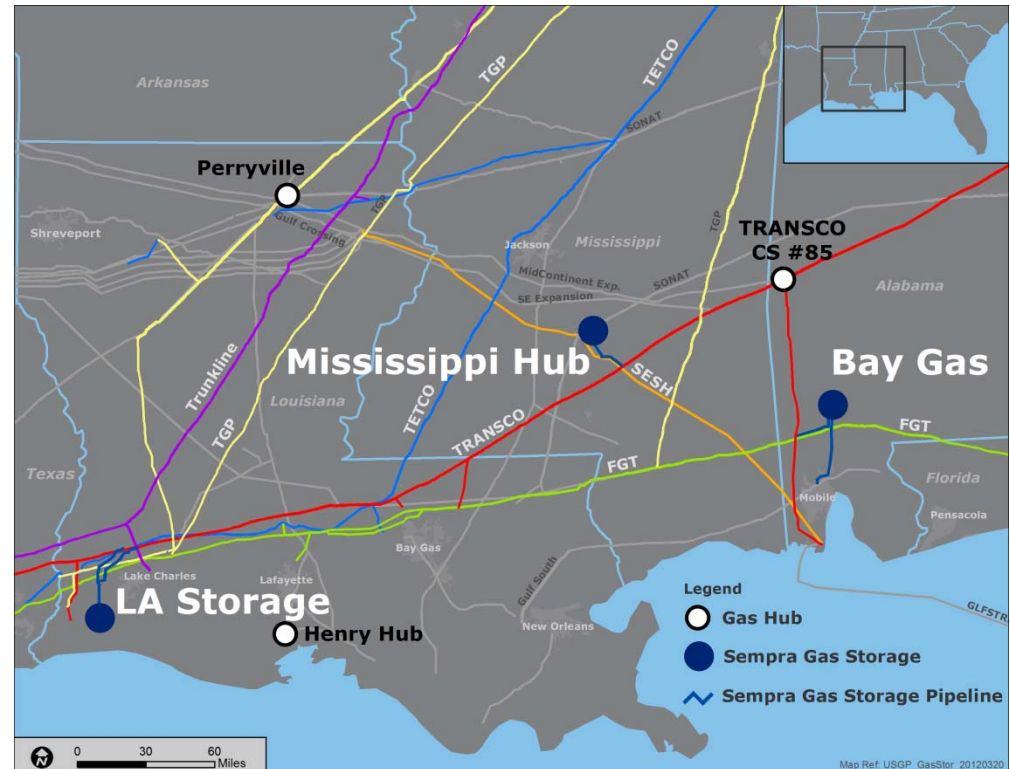
# Southeast Focus



- ▶ Storage facilities strategically located between shale supplies and major markets
- ▶ Proximity to Southeast and East Coast provides market flexibility
- ▶ LNG export potential increasing demand for storage
- ▶ Petrochemical industry expansion and coal-to-gas displacement
- ▶ Expanding asset optimization capabilities

# Natural Gas Storage

Storage Summary		
Project	Operating	Construction
Mississippi Hub	7.5 Bcf	7.5 Bcf (2012) 7.5 Bcf (2013)
Bay Gas	15.5 Bcf	5 Bcf (2013)
<b>Total</b>	<b>23 Bcf</b>	<b>20 Bcf</b>



- ▶ Future opportunities
  - ▶ Mississippi Hub and Bay Gas: Potential for 14 Bcf additional capacity
  - ▶ LA Storage: 19 Bcf fully permitted; locationally advantaged for LNG exports

# Future Opportunities

## West

- ▶ Renewables
  - Greenfield development
  - Acquire late-stage development projects
  - Strategic partnerships
    - Advance BP relationship
    - Evaluate renewable asset swaps
  - Project finance

## Southeast

- ▶ Natural gas storage
  - Grow customer base
  - Integrate with power
  - Integrate with liquefaction
- ▶ Consider LDC acquisitions
- ▶ Evaluate MLP opportunities

# Sempra U.S. Gas & Power Adjusted EBITDA and Tax Credit Outlook (\$ in millions)

Adjusted EBITDA <sup>(1)</sup>		
2012	2013	2016
\$220 - \$240	\$320 - \$340	\$440 - \$470

Applicable tax benefits are shown below in the year received. The timing of utilization of these tax benefits will vary based on the tax capacity of the parent company, which is subject to change.

Renewables Tax Credits (Cash Grants, PTCs and ITC)		
2012	2013	2016
\$110 - \$130	\$140 - \$175	\$250 - \$325

(1) Represents adjusted EBITDA, including equity earnings from unconsolidated subsidiaries, non-controlling interests and distributions from equity investments in excess of earnings. A reconciliation of earnings to adjusted EBITDA (a non-GAAP measure) can be found on slide 21 in the appendix.

# Sempra U.S. Gas & Power Outlook (\$ in millions)

Earnings		
2012	2013	2016
\$35 - \$55	\$80 - \$100	\$230 - \$260

Capital Expenditures & Investments		
2012	2013	2014 – 2016 Average
\$820	\$95 - \$125	\$330 - \$370

# Summary

## 2012

- Expect earnings of \$35 - \$55 million
- Geographically dispersed
- 325 MW of operating wind and solar<sup>(1)</sup>
- 50/50 joint ventures for wind
- Some underperforming assets
- Limited linkage between assets
- Limited exposure to merchant power market in West

## 2016

- Expect earnings of \$230 - \$260 million
- Greater focus in Southwest and Southeast
- 1,400 MW of operating wind and solar
- 50/50 joint ventures for wind and solar<sup>(2)</sup>
- Portfolio includes only assets meeting return expectations
- More integration of investment activities
- No exposure to merchant power market in West

(1) As of March 2012

(2) Exceptions for certain projects utilizing Investment Tax Credits



# Appendix

---

# Renewable Project Summary

Name	Location	MW	PPA Term (yrs)	PPA Approval	Tax Credits	Full COD
<b>IN OPERATION</b>						
Fowler Ridge 2 Wind	Indiana	100 MW (50%) <sup>(1)</sup>	20	Yes	PTC	2009
Copper Mountain Solar 1 (and El Dorado Solar)	Nevada	58 MW (48+10 MW)	20	Yes	ITC	2008 / 2010
Cedar Creek 2 Wind	Colorado	125 MW (50%) <sup>(1)</sup>	25	Yes	PTC	2011
<b>CONTRACTED &amp; UNDER CONSTRUCTION</b>						
Flat Ridge 2 Wind	Kansas	210 MW (50%) <sup>(1)</sup>	20 - 25	Yes	PTC	2012
Mehoopany Wind	Pennsylvania	71 MW (50%) <sup>(1)</sup>	20	Yes	PTC	2012
Mesquite Solar 1	Arizona	150 MW <sup>(2)</sup>	20	Yes	ITC	2013
Copper Mountain Solar 2	Nevada	92 MW / 58 MW <sup>(3)</sup> (150 MW total)	25	Yes	Grant <sup>(4)</sup>	2013 / 2015
Auwahi Wind	Hawaii	11 MW (50%) <sup>(1)</sup>	20	Yes	Grant	2012
<b>DEVELOPMENT</b>						
Mesquite Solar 2+	Arizona	530 MW <sup>(5)</sup>	N/A	N/A	N/A	N/A
Rosamond Solar	California	300 MW <sup>(5)</sup>	N/A	N/A	N/A	N/A
Copper Mountain Solar 3	Nevada	220 MW <sup>(5)</sup>	N/A	N/A	N/A	N/A

(1) Reflects Sempra's expected net ownership interests

(2) 42 MW of 150 MW total were in operation at year end 2011

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

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

(5) Reflects total potential solar capacity at full build-out; Sempra's net ownership interest expected to be 50%



# Reconciliation of Earnings to Adjusted EBITDA (\$ millions)

Management believes adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization) is a useful measurement of our business units' performance because it can be used to evaluate the effectiveness of our operations exclusive of interest, income taxes, depreciation and amortization; none of which is directly relevant to the efficiency of those operations. Since adjusted EBITDA is a non-GAAP measurement, the below reconciliation is included. Adjusted EBITDA includes equity earnings from unconsolidated subsidiaries and distributions from equity investments in excess of earnings, and is net of non-controlling interests. Net interest expense includes interest income and interest expense.

	2012 Outlook		2013 Outlook		2016 Outlook	
Earnings	\$ 35	- \$ 55	\$ 80	- \$ 100	\$ 230	- \$ 260
Depreciation & Amortization	105	- 95	110	- 90	110	- 90
Net Interest Expense	80	- 70	95	- 85	85	- 75
Income Taxes	(60)	- (50)	(30)	- (10)	(30)	- (10)
Distributions from Investments, net of Equity Earnings	60	- 70	65	- 75	45	- 55
Adjusted EBITDA	\$ 220	- \$ 240	\$ 320	- \$ 340	\$ 440	- \$ 470



# **Sempra International**

---

George Liparidis | President & CEO

**Analyst Conference**

March 29, 2012

# Outline

---

- ▶ Accomplishments
- ▶ Investment Rationale
- ▶ Macroeconomic Indicators
- ▶ Operations
- ▶ Opportunities
- ▶ Outlook
- ▶ Summary
- ▶ Peru and Chile Regulatory Regime

# 2011 Accomplishments

- ▶ Acquired controlling interests in the operations in Peru and Chile
  - Purchase price of \$775 million, net of \$100 million of acquired cash
  - Operations fully integrated
- ▶ Commenced construction on 98 MW hydroelectric plant in Peru
  - \$155 million investment
  - Commence operations by mid-2014
  - Establishes Luz del Sur as a generator
- ▶ Consolidated Mexican assets into single company



# Investment Rationale: Continue to Build on Past Success

## International Investments Complementary to Sempra's Portfolio Strategy

### Emerging Markets Energy Growth

- ▶ High GDP growth
- ▶ Low reserve margins
- ▶ Need to upgrade energy infrastructure
- ▶ Fuel switching to lower priced fuel
- ▶ Free trade agreements
- ▶ Export heavy economies

### Proven Track Record

- ▶ Sempra's operating history:
  - Mexico - 20 years
  - Peru and Chile - 13 years
- ▶ Experience with multiple regulatory cycles
- ▶ Regulations structured to attract private investment

### Leverage Existing Resources

- ▶ Luz del Sur and Chilquinta Energía are efficient electric distribution companies providing strong platforms for growth
- ▶ Sempra is largest private energy investor in Mexico; joint venture with Pemex
- ▶ Growth funded by local debt or equity

# Comparative Macroeconomics

Selected Indicators	Mexico	Peru	Chile	United States
Sovereign Rating <sup>(1)</sup>	BBB Stable	BBB Stable	A+ Positive/Stable	AA+ Negative <sup>(2)</sup>
Fiscal Balance (% of GDP) <sup>(1)</sup>	-2.2%	0.6%	0.6%	-6.8% <sup>(3)</sup>
External Debt (% of GDP) <sup>(1)</sup>	23%	23%	41%	98% <sup>(4)</sup>
Population <sup>(1)</sup>	110.1 million	30.7 million	17.3 million	316.3 million <sup>(3)</sup>
Installed Electric Capacity	60,440 MW <sup>(5)</sup>	7,290 MW <sup>(6)</sup>	16,970 MW <sup>(7)</sup>	1,007 GW <sup>(8)</sup>
MW / 1,000 people	0.55	0.24	0.98	3.18
GDP growth <sup>(1)</sup>	3.9%	6.5%	5.1%	2.5% <sup>(9)</sup>
GDP per capita <sup>(1)</sup>	\$10,681	\$6,229	\$14,003	\$50,922 <sup>(3)</sup>

## Sources:

- (1) Latin Focus Consensus Forecast, 2010-2014 averages, February 2012
- (2) Standard & Poor's
- (3) Economist Intelligence Unit, Market Indicators, 2011
- (4) CIA -The World Factbook
- (5) Prospectiva Sector Electrico 2010-2025 Secretaria de Energía (Mexico)
- (6) Estadística de la Dirección General de Electricidad, December 2010, Ministerio Energía y Minas (Peru)
- (7) Estrategia Nacional de Energía 2012-2030, Ministerio de Energía (Chile)
- (8) U.S. Energy Information Administration, Annual Energy Outlook 2012 Early Release
- (9) IHS Global Insight, US Economic Outlook March 2012

# Sempra Mexico Operations

- ▶ Operating assets with U.S. dollar-denominated, long-term, fixed rate contracts
  - LNG regasification
  - Combined cycle power plant
  - Natural gas pipelines
  - Propane pipeline
  - Natural gas distribution
- ▶ Five natural gas pipelines interconnecting with the U.S.
- ▶ Pemex joint venture





# Sempra Mexico: Diversified Portfolio in Border Region



- (1) Reflects 100% of project; Sempra's net ownership expected to be 50%  
 (2) In development



# Luz del Sur

- ▶ Electric utility serving eastern, central and southern Lima, including financial and commercial district
- ▶ Over 930,000 customers
- ▶ Named one of the “Top 20” Peruvian companies by S&P
- ▶ 20% of stock traded on local stock exchange, total market cap of \$1.3 billion
- ▶ \$230 million in local debt, rated AAA<sup>(1)</sup>
- ▶ Santa Teresa 98 MW run-of-river hydroelectric plant
- ▶ 15% compound annual earnings growth over last five years



(1) Rating by Class & Asociados S.A.

# Chilquinta Energía

- ▶ Electric distribution company serving greater Valparaíso and Viña del Mar area
- ▶ Over 610,000 customers
- ▶ Rated highest in customer satisfaction of major distribution companies in Chile
- ▶ Among the most efficient distributors in the region
- ▶ \$300 million in local debt, rated AA<sup>(1)</sup>
- ▶ 12% compound annual earnings growth over last five years



(1) Rating by Fitch & Humphrey's

# Growth Opportunities

	Drivers	Opportunities
Mexico	<ul style="list-style-type: none"> <li>▶ Natural gas and electric demand growth</li> <li>▶ Fuel switching</li> <li>▶ Pemex system upgrades and infrastructure modernization</li> </ul>	<ul style="list-style-type: none"> <li>▶ Greenfield gas pipelines in Northwest Mexico</li> <li>▶ Future development of wind energy for power sales to U.S. and Mexico</li> <li>▶ Projects through the Pemex joint venture</li> <li>▶ Costa Azul gas exports for Asian markets</li> </ul>
Peru	<ul style="list-style-type: none"> <li>▶ High economic growth (5 - 8%)</li> <li>▶ Low energy reserve margins (6 - 8%)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Second hydroelectric plant at Santa Teresa</li> <li>▶ Other hydroelectric and gas generation projects</li> </ul>
Chile	<ul style="list-style-type: none"> <li>▶ Incremental generation required</li> <li>▶ High energy prices</li> <li>▶ Transmission system reliability</li> </ul>	<ul style="list-style-type: none"> <li>▶ Electric transmission bids</li> <li>▶ Acquisition of smaller distribution companies</li> <li>▶ Greenfield generation projects</li> </ul>

# Sempra International Outlook (\$ in millions)

Earnings		
2012	2013	2016
\$305 - \$330	\$320 - \$345	\$425 - \$455

Capital Expenditures & Investments		
2012	2013	2014 – 2016 Average
\$240	\$180 - \$230	\$110 - \$160

# Summary



- ▶ Strong presence in countries with stable regulatory frameworks and robust economic growth
- ▶ International investments complementary to Sempra's portfolio strategy
- ▶ Growth opportunities funded by underleveraged balance sheet and local capital
- ▶ Drive predictable financial results through reliable operations
  - Expect 8 - 9% earnings CAGR<sup>(1)</sup>

(1) Compound annual growth rate from 2012 to 2016



# Peru & Chile Electric Distribution Regulation

---

Eduardo Pawluszek | VP South America

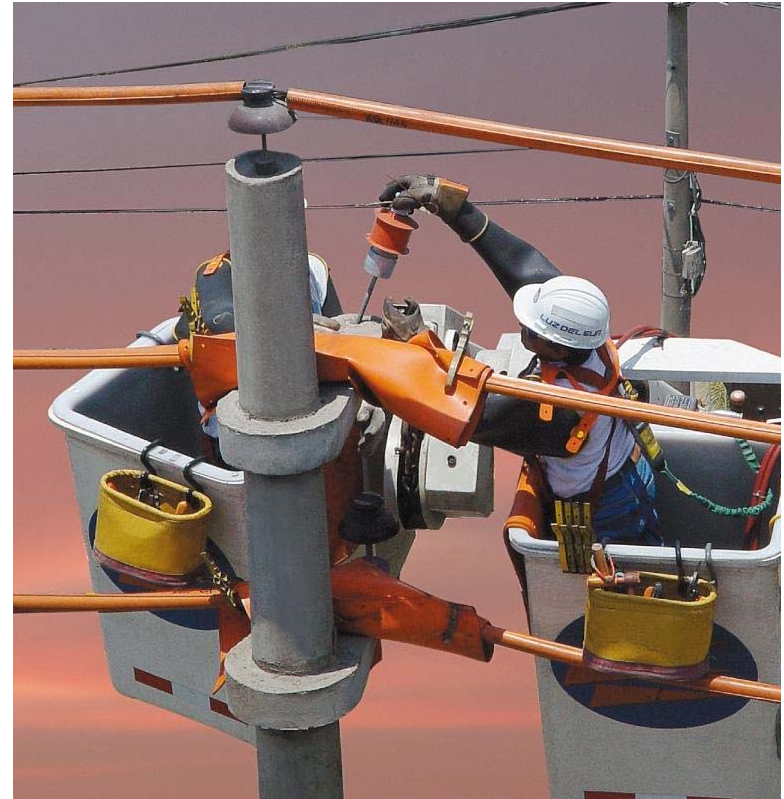
**Analyst Conference**

March 29, 2012



# Electric Distribution Regulation in Peru and Chile

- ▶ Regulatory framework in place for 31 years in Chile and 18 years in Peru
- ▶ Electric system divided into Generation (open to competition), Transmission (regulated) and Distribution (regulated)
- ▶ Vertical integration possible with certain limitations
- ▶ Distribution tariffs reviewed and adjusted every four years
  - Next scheduled tariff resets:
    - Chilquinta - November 2012
    - Luz del Sur - November 2013



# Regulated Tariff Setting Process

	Chile	Peru
<b>Tariff Composition</b>	Energy cost (pass-through) + Transmission fee (pass-through) + <b>Distribution tariff</b>	
<b>Tariff Resetting Process</b>	<ol style="list-style-type: none"> <li>1. Distribution companies are grouped into different “<b>typical areas</b>” based on service territory characteristics (density, geography, average demand, distribution lines, etc.)</li> <li>2. The regulator builds a theoretical “<b>model company</b>” for each typical area, based on information provided by the distribution companies. A model company is the “ideal company” required to provide efficient service.</li> <li>3. New Replacement Value of distribution system required (lines, transformers, etc.) to provide service is calculated.</li> <li>4. Reasonable administrative and O&amp;M expenses are factored into the model.</li> <li>5. Acceptable energy losses are also included.</li> <li>6. Distribution revenue is calculated to cover expenses, energy losses and a <b>return on New Replacement Value</b>. Unlevered, pre-tax, real return is 10% in Chile and 12% in Peru.</li> <li>7. Total revenue required is divided by prior year’s actual demand to determine the Distribution Value Added per kW to be applied for next four years.</li> </ol>	



# Regulated Tariff Adjustment Process

	Chile	Peru							
Control Test and Tariff Validation	If return for entire distribution industry is within 6 – 14% based on tariff setting process, new tariff level is validated.	If return for companies in same “typical area” is within 8 – 16% based on tariff setting process, new tariff level is validated.							
Monthly Tariff Adjustment	Tariffs are adjusted based on an index comprised of the following factors:								
	<table><tr><td>consumer inflation (55%)</td></tr><tr><td>wholesale inflation (35%)</td></tr><tr><td>copper prices (6%)</td></tr><tr><td>currency exchange rate (4%)</td></tr></table> <p>Adjusted monthly</p>	consumer inflation (55%)	wholesale inflation (35%)	copper prices (6%)	currency exchange rate (4%)	<table><tr><td>wholesale inflation (77%)</td></tr><tr><td>aluminum prices (14%)</td></tr><tr><td>currency exchange rate (7%)</td></tr><tr><td>copper prices (2%)</td></tr></table> <p>Reviewed monthly, adjusted when variation is +/- 1.5% compared to current price</p>	wholesale inflation (77%)	aluminum prices (14%)	currency exchange rate (7%)
consumer inflation (55%)									
wholesale inflation (35%)									
copper prices (6%)									
currency exchange rate (4%)									
wholesale inflation (77%)									
aluminum prices (14%)									
currency exchange rate (7%)									
copper prices (2%)									
Residential Tariff Breakdown	<table><tr><td>Generation (64%)</td></tr><tr><td>Transmission (12%)</td></tr><tr><td>Distribution (24%)</td></tr></table>	Generation (64%)	Transmission (12%)	Distribution (24%)	<table><tr><td>Generation (52%)</td></tr><tr><td>Transmission (13%)</td></tr><tr><td>Distribution (35%)</td></tr></table>	Generation (52%)	Transmission (13%)	Distribution (35%)	
Generation (64%)									
Transmission (12%)									
Distribution (24%)									
Generation (52%)									
Transmission (13%)									
Distribution (35%)									

# Benefits of the Regulatory Framework

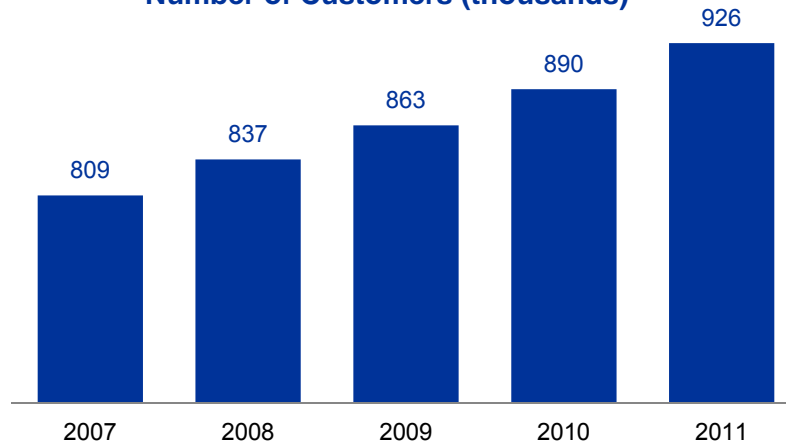
---

- ▶ Provides incentives to implement permanent efficiencies
- ▶ Benefits of demand growth are kept for the four year cycle
- ▶ Recognizes differences in geography and population density
- ▶ Full pass-through of generation and transmission costs
- ▶ Tariffs allow distribution companies to recover administrative and operating expenses, acceptable energy losses and a reasonable return on New Replacement Values
- ▶ Regulatory return on New Replacement Value is set by law
- ▶ Monthly tariff adjustment provides protection against local inflation and currency fluctuations

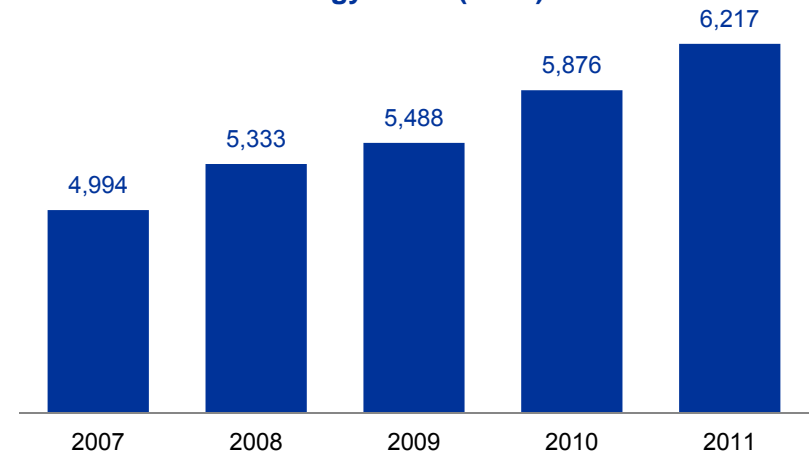
# Historical Customer and Energy Sales Growth

## Luz del Sur

Number of Customers (thousands)

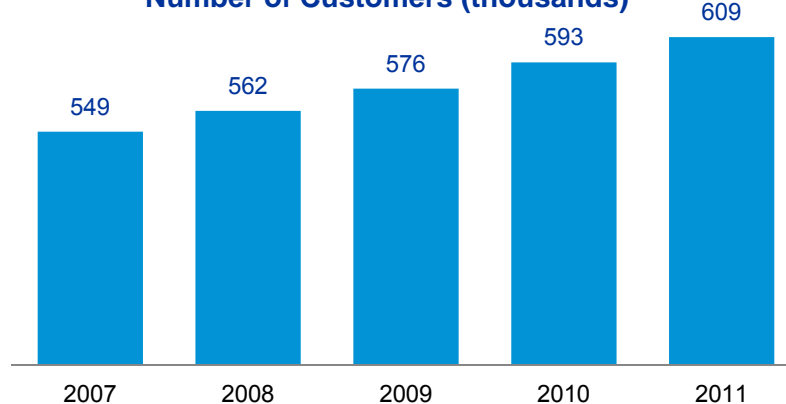


Energy Sales (GWh)

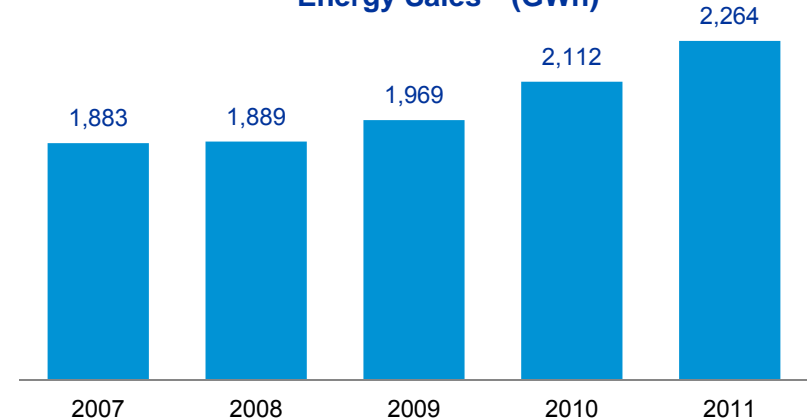


## Chilquinta

Number of Customers (thousands)



Energy Sales<sup>(1)</sup> (GWh)

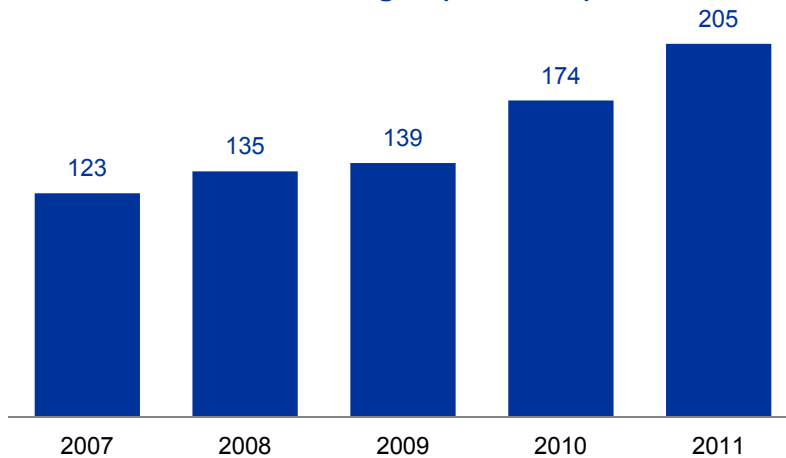


(1) Excludes customers who can choose between local distribution company and independent generators for their electricity needs.

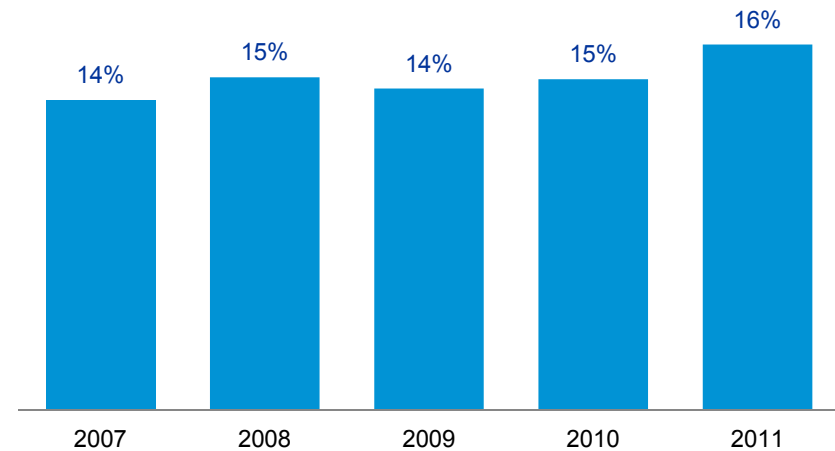
# Historical Financial Performance

## Combined Luz del Sur and Chilquinta Results<sup>(1)</sup>

### Earnings<sup>(2)</sup> (\$ millions)



### Return on Equity



- ▶ Track record demonstrates consistent success in operating electric distribution companies in Peru and Chile
- ▶ Historically stable returns as a result of economic growth, long-standing regulatory framework and efficient operations

(1) Reflects performance for combined utility operating companies on a standalone basis.  
 (2) Standalone earnings for combined utility operating companies differ from Sempra Energy's historical earnings from its investments in Peru and Chile. Sempra Energy's earnings from investments in Peru and Chile can be found in the 2011 Statistical Report at [www.sempra.com](http://www.sempra.com).



# Financial

---

Joe Householder | Executive VP & CFO

**Analyst Conference**

March 29, 2012

# Financial Goals

## Goals

**Sustain top-quartile growth**

**Align capital allocation with strategy**

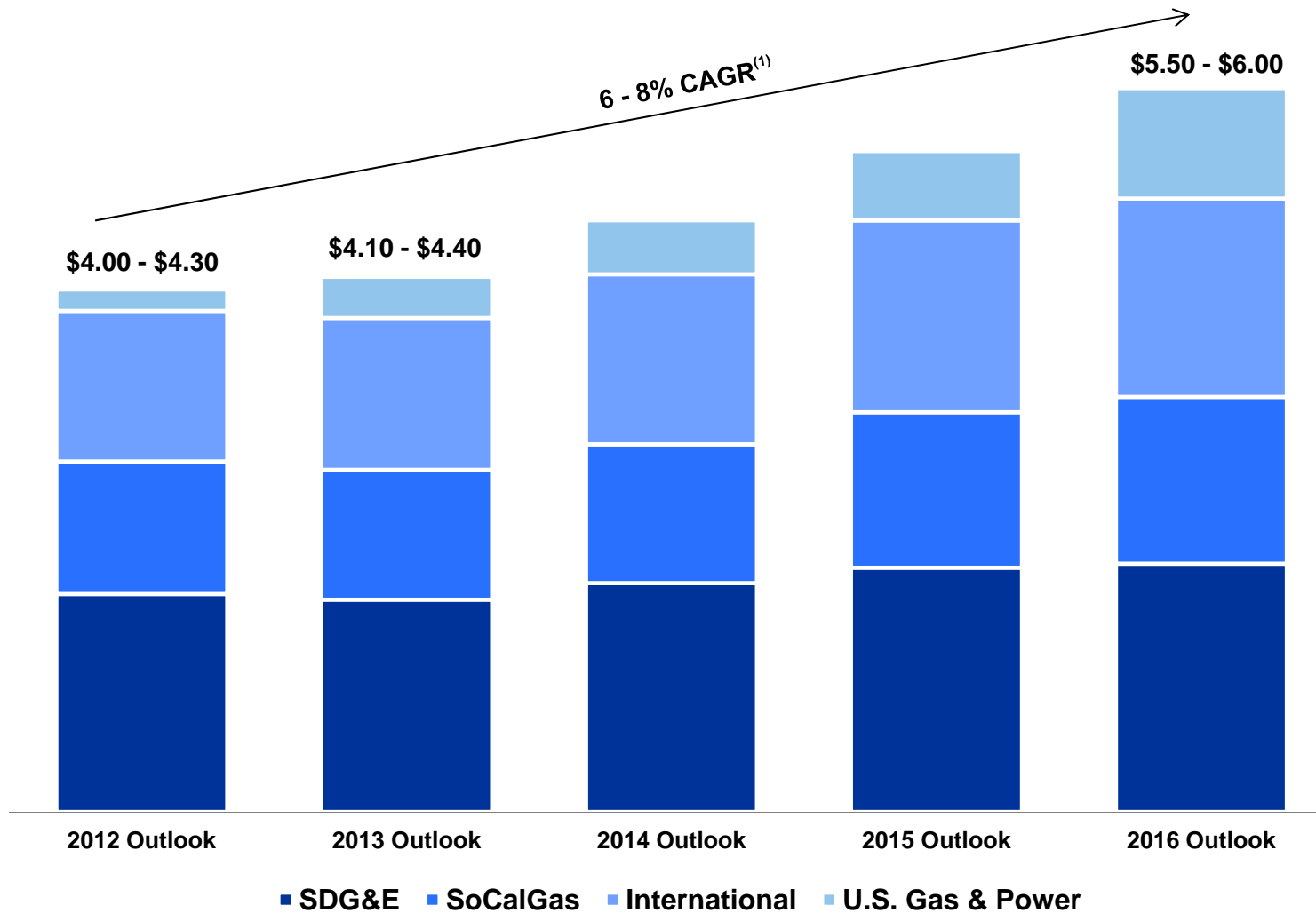
**Maintain strong balance sheet and ample liquidity**

## Drivers

- Grow organic earnings at 6 - 8% CAGR by 2016
  - California utilities: 5 - 6% CAGR
  - International: 8 - 9% CAGR
  - U.S. Gas & Power: approximately 50% CAGR
- Optimize global tax position and capital structure
- Structure solar and Cameron liquefaction through partnerships and project financing
- Divest assets where it makes sense to do so
- Evaluate MLP using Cameron liquefaction as a foundation
- Produce growing and predictable earnings and cash flows
- Maintain a growing and competitive dividend
- Commit to investment-grade credit rating

Note: Compound annual growth rates from 2012 to 2016

# Earnings Growth (\$ diluted earnings per share)



(1) Compound annual growth rate from 2012 to 2016

# Business Unit Earnings Outlook (\$ millions, except per share amounts)

	2012 Outlook	2013 Outlook	2016 Outlook	2012 - 2016 CAGR <sup>(3)</sup>	
SDG&E	\$440 - \$480	\$445 - \$485	\$525 - \$575	4 - 5%	} 5 - 6%
SoCalGas	265 - 295	270 - 300	350 - 390	7 - 8%	
International <sup>(1)</sup>	305 - 330	320 - 345	425 - 455	8 - 9%	
U.S. Gas & Power <sup>(2)</sup>	35 - 55	80 - 100	230 - 260	~ 50%	
Parent & Other	(115) - (75)	(155) - (115)	(180) - (130)		
<b>Sempra Energy Consolidated</b>	<b>\$930 - \$1,085</b>	<b>\$960 - \$1,115</b>	<b>\$1,350 - \$1,550</b>		
<i>Earnings per Share</i>	\$4.00 - \$4.30	\$4.10 - \$4.40	\$5.50 - \$6.00	6 - 8%	
Avg. Diluted Shares Outstanding	244	245	251		

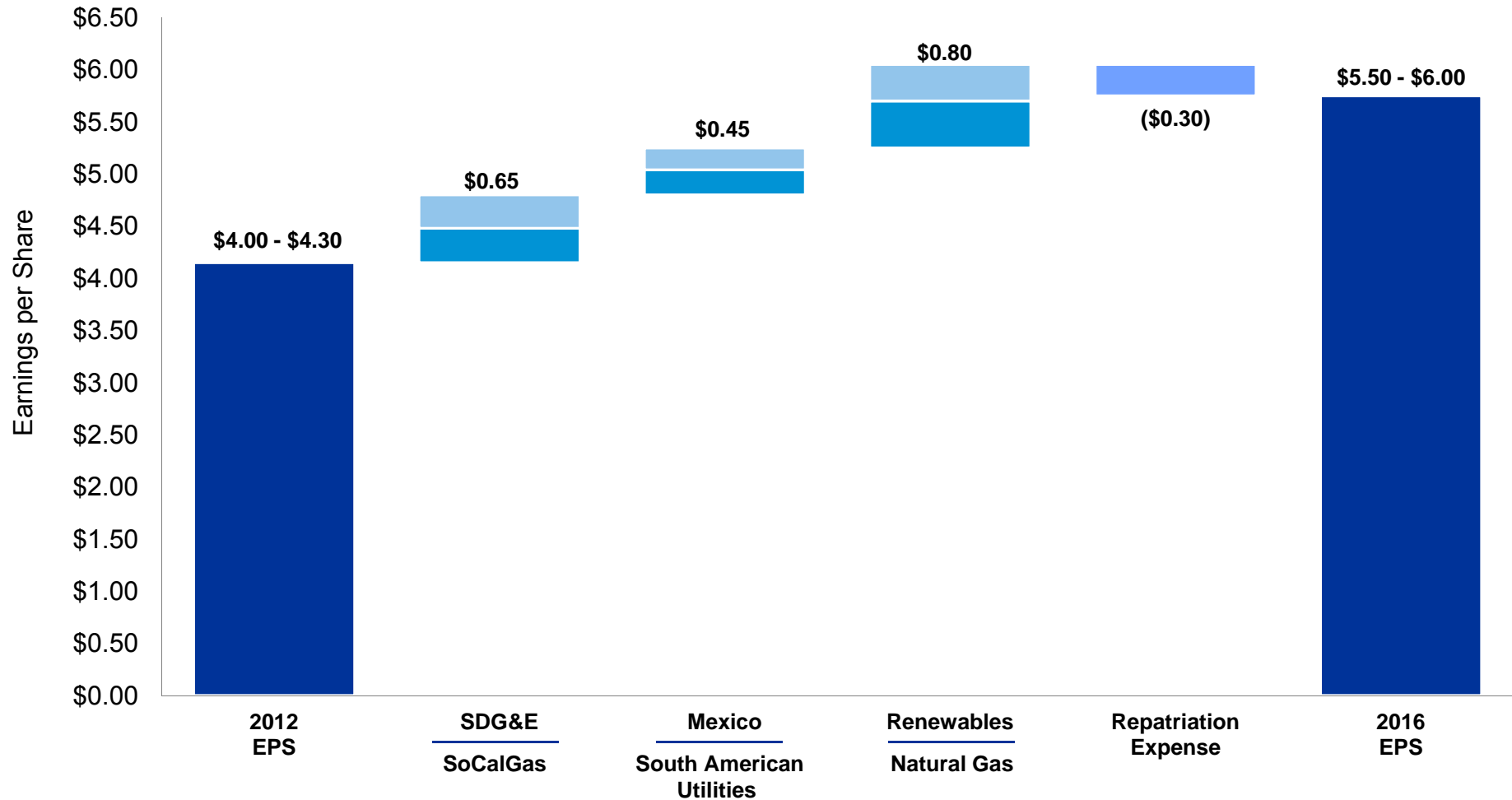
(1) South American Utilities and Mexico will be our reporting segments

(2) Renewables and Natural Gas will be our reporting segments

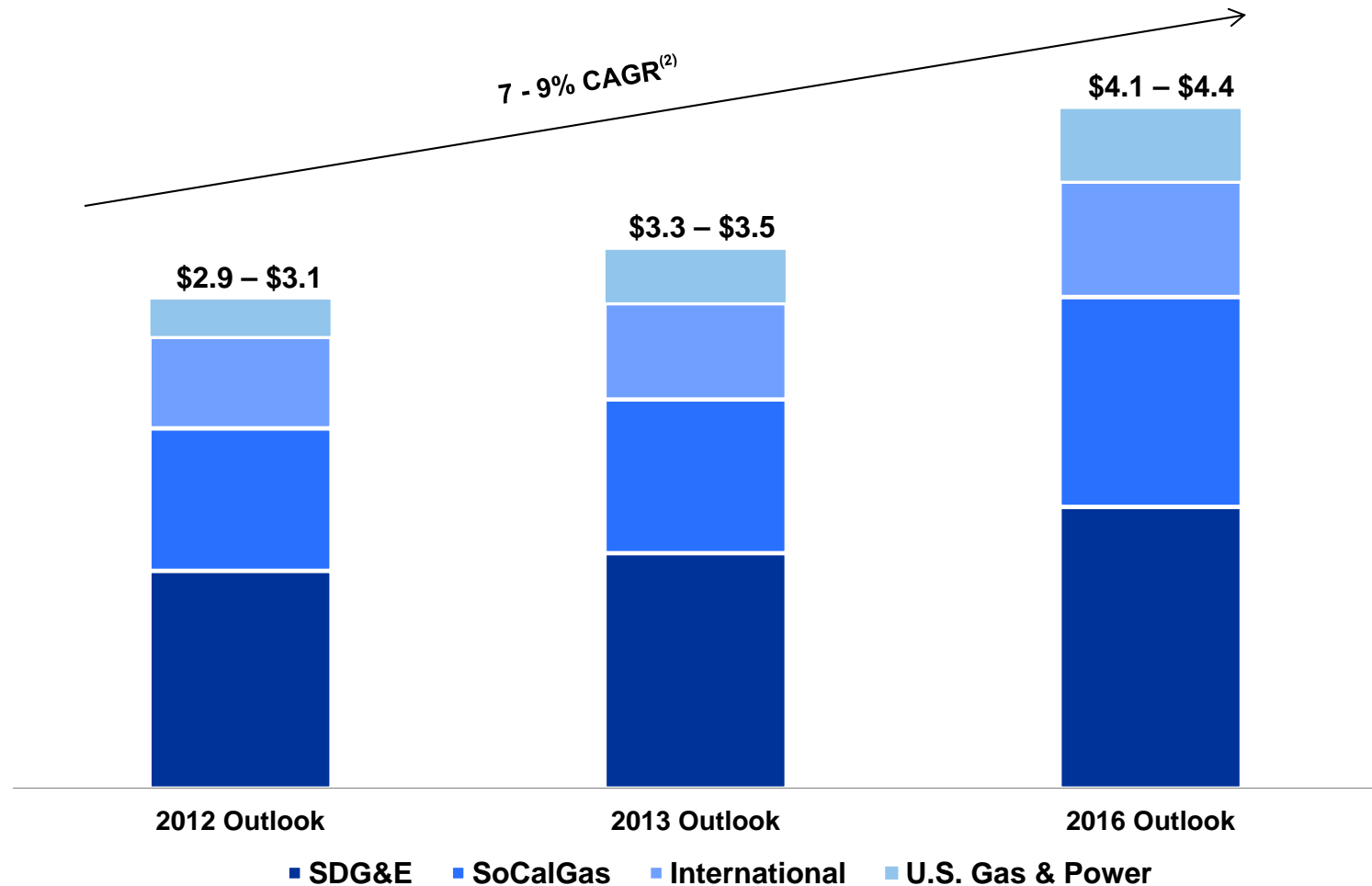
(3) Compound annual growth rate



## 2012 – 2016 Growth Drivers (\$ diluted earnings per share)



# Adjusted EBITDA Growth<sup>(1)</sup> (\$ billions)

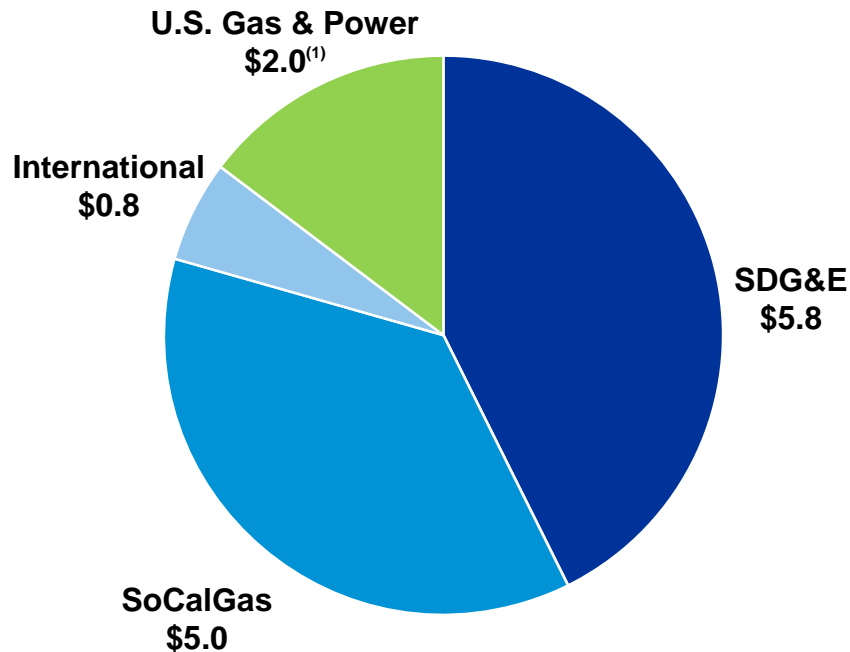


(1) Represents adjusted EBITDA, which includes after-tax equity earnings from unconsolidated subsidiaries, distributions from equity investments in excess of earnings, and is net of noncontrolling interests. A reconciliation of earnings to adjusted EBITDA (a non-GAAP measure) can be found on slide 17, in the appendix.

(2) Compound annual growth rate from 2012 to 2016

# 5-Year Capital Expenditures & Investments (\$ billions)

## 2012 – 2016 Cumulative Capex



- ▶ \$14 billion capital program over 5 years
- ▶ 85% at utilities
  - 80% California utilities
  - 5% South American utilities
- ▶ 12% for renewables projects

(1) Cameron liquefaction is expected to be a 50/50 JV with existing assets contributed in lieu of new capital. Renewables capital spending is net of project financing.

## Capital Expenditures & Investments (\$ millions)

- ▶ Average of \$2.7 billion per year

	2012 Outlook	2013 Outlook			2014 - 2016 Averages		
SDG&E	\$1,400	\$1,170	-	\$1,270	\$1,000	-	\$1,100
SoCalGas	700	900	-	1,000	1,000	-	1,200
California Utilities	2,100	2,070	-	2,270	2,000	-	2,300
International	240	180	-	230	110	-	160
U.S. Gas & Power	820	95	-	125	330	-	370
<b>Total</b>	<b>\$ 3,160</b>	<b>\$ 2,345</b>	<b>-</b>	<b>\$ 2,625</b>	<b>\$ 2,440</b>	<b>-</b>	<b>\$ 2,830</b>

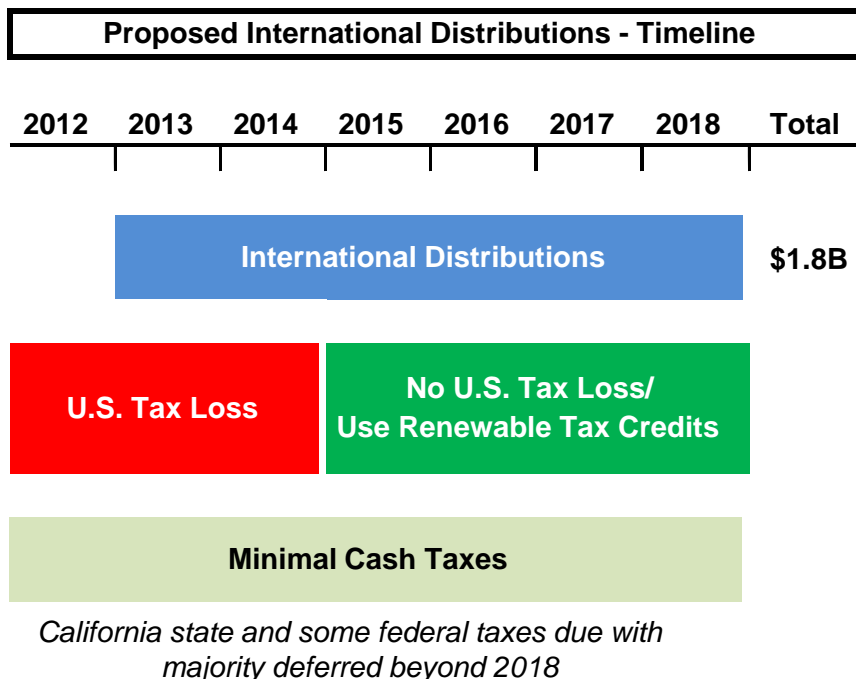
# Align Capital Allocation with Strategy

---

- ▶ Structure renewables using partnerships and project financing to manage risks and maximize returns
- ▶ Liquefaction opportunity increases value of Cameron LNG facility
  - Expect partnership structure with project financing to limit Sempra's capital investment
- ▶ Look to divest assets where reinvestment of sale proceeds will produce better returns
- ▶ Plan to hold assets where market values are currently low and where we expect asset performance to improve over time

# Cash Flow From International Operations

- ▶ Strong performance from International operations allows for distributions to the U.S. of \$300 million each year from 2013 through 2018



## Benefits

- Highlights synergistic effect of our diversified portfolio
- Leverages current tax position
  - Accelerates the utilization of renewable energy tax credits
- Majority of cash used to repay debt and support higher dividend

## Considerations

- Reduces EPS by about \$0.30 per year
- Majority of cash tax impact is beyond 2018

# Accounting for Investment Tax Credits

---

- ▶ Starting in 2012 we have chosen to use the deferral method of accounting for the solar business
- ▶ Deferral method results in higher earnings after year one, as compared to the prior method, due to lower annual depreciation expense
  - Deferred tax benefit in the first year equal to about 7% of the qualifying costs
- ▶ Total earnings remain the same over the life of the project regardless of accounting method
- ▶ Accounting method has **no impact on project economics**

# Maintain Strong Balance Sheet & Ample Liquidity (\$ billions)

	Debt	Equity	Debt / Debt + Equity
<b>December 31, 2011</b>	<b>\$ 10.9</b>	<b>\$ 10.3</b>	<b>51%</b>
Operating Activities			
Earnings	(6.0)	6.0	
Depreciation	(6.1)		
Working Capital & Other Non Cash	(1.8)		
Investing Activities			
Capital Expenditures <sup>(1)</sup>	13.6		
Financing Activities			
Dividends	3.3	(3.3)	
Misc. Equity Issues (Employee Plans)	(0.2)	0.2	
Other			
Change in Cash & Other	0.2	0.3	
<b>December 31, 2016</b>	<b>\$ 13.9</b>	<b>\$ 13.5</b>	<b>51%</b>

## Actions

- Increase return to shareholders while supporting robust capital program
- Maintain strong investment grade credit rating
- Maintain strong and diversified credit lines
  - \$4 billion committed
  - Spread among more than 20 lenders

(1) Net of project financing



# Summary

---

- ▶ Top quartile earnings per share growth across all businesses
- ▶ Adjusted EBITDA growth of 7 - 9% supports large capital program and strong balance sheet
- ▶ Dividend increase of 25% to annualized level of \$2.40 per share supported, in part, by cash flows from regulated South American utilities and contracted Mexican energy business
- ▶ Capital allocation aligned with strategy
  - Partnerships and project financing
  - Distribute earnings from International operations
  - Divest assets when reinvestment of proceeds exceeds our view of returns on existing assets



# Appendix

---

# Illustrative Example of Deferral Method Accounting

<b>Assumptions<sup>(1)</sup></b>	
MW	<b>50</b>
Capital Costs (\$ mm)	<b>190</b>
Capacity Factor	<b>25%</b>
PPA Price (\$/MWh)	<b>125</b>
On-Peak Multiplier	<b>1.27</b>
ITC as % of Capital Cost	<b>30%</b>
Loan Term (yrs)	<b>18</b>
Interest Rate	<b>5%</b>
Loan to Value	<b>50%</b>
Federal Tax Rate	<b>35%</b>
State Tax Rate	<b>8%</b>
Book Depreciation (yrs)	<b>30</b>

<b>Book Basis</b>	
Capital Costs (\$ mm)	190
Less: ITC	(57)
<i>Book Basis</i>	<i>133</i>
<b>Tax Basis</b>	
Capital Costs (\$ mm)	190
Less: 1/2 of ITC	(29)
<i>Federal Tax Basis</i>	<i>161</i>
<i>State Tax Basis</i>	<i>190</i>

(\$ in millions)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 25
Revenue	17	17	17	17	17	16	15
Operating Expenses	(1)	(2)	(2)	(2)	(2)	(2)	(2)
Depreciation	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Interest Expense	(5)	(5)	(4)	(4)	(4)	(3)	0
Taxes	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Fed One-Time Deferred Tax Benefit	9	0	0	0	0	0	0
State One-Time Deferred Tax Benefit	5	0	0	0	0	0	0
<b>Net Income</b>	<b>18</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>6</b>

Year 1 Earnings Using  
Flow-through Method 45

- ▶ Book basis is reduced by full amount of ITC in year 1 resulting in lower annual depreciation expense, as compared to prior methodology
- ▶ Federal one-time deferred tax benefit is equal to  $\text{ITC} \times 50\% \times \text{Federal Tax Rate} - (\text{Federal Tax Rate} \times \text{ITC} \times \text{State Tax Rate})$
- ▶ State one-time deferred income tax benefit is equal to  $\text{ITC} \times \text{State Tax Rate}$

(1) Assumptions consistent with solar economics example provided at 2011 Analyst Conference on March 23, 2011

# Credit Ratings

As of March 29, 2012	S&P	Moody's	Fitch
<b><u>Sempra Energy</u></b>			
Unsecured Debt	BBB+	Baa1	BBB+
Commercial Paper	A-2	P-2	F2

<b><u>SoCalGas</u></b>			
Secured Debt	A+	Aa3	AA-
Unsecured Debt	A	A2	A+
Preferred Stock	BBB+	Baa1	A-
Commercial Paper	A-1	P-1	F1

<b><u>SDG&amp;E</u></b>			
Secured Debt	A+	Aa3	AA-
Unsecured Debt	A	A2	A+
Preferred Stock	BBB+	Baa1	A-
Commercial Paper	A-1	P-1	F1

# Reconciliation of Earnings to Adjusted EBITDA (\$ millions)

Management believes adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization) is a useful measurement of our business units' performance because it can be used to evaluate the effectiveness of our operations exclusive of interest, income taxes, depreciation and amortization; none of which is directly relevant to the efficiency of those operations. Since adjusted EBITDA is a non-GAAP measurement, the below reconciliation is included. Adjusted EBITDA includes after-tax equity earnings from unconsolidated subsidiaries and distributions from equity investments in excess of earnings, and is net of non-controlling interests. Net interest expense includes interest income, interest expense, and preferred dividends of subsidiaries. Income taxes do not include income taxes related to certain unconsolidated subsidiaries accounted for under the equity method which have been included in adjusted EBITDA.

	2012 Outlook	2013 Outlook	2016 Outlook
Earnings	\$ 930 - \$ 1,085	\$ 960 - \$ 1,115	\$ 1,350 - \$ 1,550
Depreciation & Amortization	1,060 - 1,030	1,180 - 1,150	1,360 - 1,330
Net Interest Expense	505 - 480	555 - 530	690 - 660
Income Taxes	370 - 470	495 - 595	675 - 775
Distributions from Investments, net of Equity Earnings	55 - 75	60 - 80	35 - 55
Adjusted EBITDA	<b>\$ 2,920 - \$ 3,140</b>	<b>\$ 3,250 - \$ 3,470</b>	<b>\$ 4,110 - \$ 4,370</b>