UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2023

or

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

Commission File No.	Exact Name of Registrant as Specified in its Charter, Address of Principal Executive Office and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.	Former name, former address and former fiscal year, if changed since last report
1-14201	SEMPRA 488 8th Avenue San Diego, California 92101 (619) 696-2000	California	33-0732627	No change
1-03779	SAN DIEGO GAS & ELECTRIC COMPANY 8330 Century Park Court San Diego, California 92123 (619) 696-2000	California	95-1184800	No change
1-01402	SOUTHERN CALIFORNIA GAS COMPANY 555 West 5th Street Los Angeles, California 90013 (213) 244-1200	California	95-1240705	No change

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
SEMPRA:		
Common Stock, without par value	SRE	New York Stock Exchange
5.75% Junior Subordinated Notes Due 2079, $25 par value	SREA	New York Stock Exchange
SAN DIEGO GAS & ELECTRIC COMPANY:		
None		
SOUTHERN CALIFORNIA GAS COMPANY:		
None		

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

Sempra	Yes	☒	No	☐
San Diego Gas & Electric Company	Yes	☒	No	☐
Southern California Gas Company	Yes	☒	No	☐

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

Sempra	Yes	☒	No	☐
San Diego Gas & Electric Company	Yes	☒	No	☐
Southern California Gas Company	Yes	☒	No	☐

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

Sempra:

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

San Diego Gas & Electric Company:

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

Southern California Gas Company:

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

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

Sempra	Yes	☐	No	☐
San Diego Gas & Electric Company	Yes	☐	No	☐
Southern California Gas Company	Yes	☐	No	☐

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

Sempra	Yes	☐	No	☒
San Diego Gas & Electric Company	Yes	☐	No	☒
Southern California Gas Company	Yes	☐	No	☒

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

Common stock outstanding on July 31, 2023:

Sempra	314,653,565 shares
San Diego Gas & Electric Company	Wholly owned by Enova Corporation, which is wholly owned by Sempra
Southern California Gas Company	Wholly owned by Pacific Enterprises, which is wholly owned by Sempra

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This combined Form 10-Q is separately filed by Sempra, San Diego Gas & Electric Company and Southern California Gas Company. Information contained herein relating to any one of these individual reporting entities is filed by such entity on its own behalf. Each such reporting entity makes statements herein only as to itself and its consolidated entities and makes no statement whatsoever as to any other entity.

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

None of the website references in this report are active hyperlinks, and the information contained on or that can be accessed through any such website is not and shall not be deemed to be part of or incorporated by reference in this report or any other document that we file with or furnish to the SEC.

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

GLOSSARY	
AB	California Assembly Bill
ADIA	Black Silverback ZC 2022 LP (assignee of Black River B 2017 Inc.), a wholly owned affiliate of Abu Dhabi Investment Authority
AFUDC	allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2022
AOCI	accumulated other comprehensive income (loss)
ARO	asset retirement obligation
ASEA	Agencia de Seguridad, Energía y Ambiente (Mexico's National Agency for Industrial Safety and Environmental Protection)
ASR	accelerated share repurchase
Bcf	billion cubic feet
Bechtel	Bechtel Energy Inc. (formerly known as Bechtel Oil, Gas and Chemicals, Inc.)
bps	basis points
Cameron LNG JV	Cameron LNG Holdings, LLC
Cameron LNG Phase 1 facility	Cameron LNG JV liquefaction facility
Cameron LNG Phase 2 project	Cameron LNG JV liquefaction expansion project
CCA	Community Choice Aggregation
CCM	cost of capital adjustment mechanism
CFE	Comisión Federal de Electricidad (Mexico's Federal Electricity Commission)
CFIN	Cameron LNG FINCO, LLC, a wholly owned and unconsolidated affiliate of Cameron LNG JV
ConocoPhillips	ConocoPhillips Company
COVID-19	coronavirus disease 2019
CPUC	California Public Utilities Commission
CRE	Comisión Reguladora de Energía (Mexico's Energy Regulatory Commission)
CRR	congestion revenue right
DOE	U.S. Department of Energy
ECA LNG	ECA LNG Phase 1 and ECA LNG Phase 2, collectively
ECA LNG Phase 1	ECA LNG Holdings B.V.
ECA LNG Phase 2	ECA LNG II Holdings B.V.
ECA Regas Facility	Energía Costa Azul, S. de R.L. de C.V. LNG regasification facility
Ecogas	Ecogas México, S. de R.L. de C.V.
Edison	Southern California Edison Company, a subsidiary of Edison International
EFH	Energy Future Holdings Corp. (renamed Sempra Texas Holdings Corp.)
EPC	engineering, procurement and construction
EPS	earnings per common share
ETR	effective income tax rate
FEED	front-end engineering design
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings, Inc.
FTA	Free Trade Agreement
GCIM	Gas Cost Incentive Mechanism
GHG	greenhouse gas
GRC	General Rate Case
HOA	Heads of Agreement
IEnova	Infraestructura Energética Nova, S.A.P.I. de C.V.
IMG	Infraestructura Marina del Golfo
INEOS	INEOS Energy Trading LTD., a subsidiary of INEOS Ltd.
IOU	investor-owned utility
IRA	Inflation Reduction Act of 2022
IRS	U.S. Internal Revenue Service
ISO	Independent System Operator
JV	joint venture

GLOSSARY (CONTINUED)

KKR Denali	KKR Denali Holdco LLC, an affiliate of Kohlberg Kravis Roberts & Co. L.P.
KKR Pinnacle	KKR Pinnacle Investor L.P. (as successor-in-interest to KKR Pinnacle Aggregator L.P.), an affiliate of Kohlberg Kravis Roberts & Co. L.P.
LA Superior Court	Los Angeles County Superior Court
Leak	the leak at the SoCalGas Aliso Canyon natural gas storage facility injection-and-withdrawal well, SS25, discovered by SoCalGas on October 23, 2015
LIBOR	London Interbank Offered Rate
LNG	liquefied natural gas
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBtu	million British thermal units (of natural gas)
Moody's	Moody's Investors Service, Inc.
MOU	Memorandum of Understanding
Mtpa	million tonnes per annum
MWh	megawatt hour
NCI	noncontrolling interest(s)
NDT	nuclear decommissioning trusts
O&M	operation and maintenance expense
OCI	other comprehensive income (loss)
OII	Order Instituting Investigation
Oncor	Oncor Electric Delivery Company LLC
Oncor Holdings	Oncor Electric Delivery Holdings Company LLC
ORLEN	Polski Koncern Naftowy Orlen S.A. (formerly Polish Oil & Gas Company)
OSC	Order to Show Cause
PA LNG Phase 1 project	initial phase of the Port Arthur LNG liquefaction project
PA LNG Phase 2 project	second phase of the Port Arthur LNG liquefaction project
PBOP	postretirement benefits other than pension
Port Arthur LNG	Port Arthur LNG, LLC, an indirect subsidiary of SI Partners that owns the PA LNG Phase 1 project
PP&E	property, plant and equipment
PPA	power purchase agreement
PUCT	Public Utility Commission of Texas
RBS	The Royal Bank of Scotland plc
RBS SEE	RBS Sempra Energy Europe
RBS Sempra Commodities	RBS Sempra Commodities LLP
ROE	return on equity
RSU	restricted stock unit
S&P	S&P Global Ratings, a division of S&P Global Inc.
SB	California Senate Bill
SDG&E	San Diego Gas & Electric Company
SDSRA	Senior Debt Service Reserve Account
SEC	U.S. Securities and Exchange Commission
SED	Safety and Enforcement Division of the CPUC
SEDATU	Secretaría de Desarrollo Agrario, Territorial y Urbano (Mexico's agency in charge of agriculture, land and urban development)
SEFE	SEFE Marketing & Trading México S. de R.L. de C.V. (formerly known as Gazprom Marketing & Trading México S. de R.L. de C.V.)
Sempra California	San Diego Gas & Electric Company and Southern California Gas Company, collectively
SENER	Secretaría de Energía de México (Mexico's Ministry of Energy)
series C preferred stock	Sempra's 4.875% fixed-rate reset cumulative redeemable perpetual preferred stock, series C
SI Partners	Sempra Infrastructure Partners, LP, the holding company for most of Sempra's subsidiaries not subject to California or Texas utility regulation
SoCalGas	Southern California Gas Company
SOFR	Secured Overnight Financing Rate
SONGS	San Onofre Nuclear Generating Station

GLOSSARY (CONTINUED)

SPA	sale and purchase agreement
Support Agreement	support agreement, dated July 28, 2020 and amended on June 29, 2021, among Sempra and Sumitomo Mitsui Banking Corporation
TAG	TAG Norte Holding, S. de R.L. de C.V.
TdM	Termoeléctrica de Mexicali
Technip Energies	TP Oil & Gas Mexico, S. De R.L. De C.V., an affiliate of Technip Energies N.V.
TO5	Electric Transmission Owner Formula Rate, effective June 1, 2019
U.S. GAAP	generally accepted accounting principles in the United States of America
VAT	value-added tax
VIE	variable interest entity
Wildfire Fund	the fund established pursuant to AB 1054
Wildfire Legislation	AB 1054 and AB 111

References in this report to “we,” “our,” “us,” “our company” and “Sempra” are to Sempra and its consolidated entities, collectively, unless otherwise stated or indicated by the context. All references in this report to our reportable segments are not intended to refer to any legal entity with the same or similar name.

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

- the Condensed Consolidated Financial Statements and related Notes of Sempra;
- the Condensed Financial Statements and related Notes of SDG&E; and
- the Condensed Financial Statements and related Notes of SoCalGas.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements can be identified by words such as “believes,” “expects,” “intends,” “anticipates,” “contemplates,” “plans,” “estimates,” “projects,” “forecasts,” “should,” “could,” “would,” “will,” “confident,” “may,” “can,” “potential,” “possible,” “proposed,” “in process,” “construct,” “develop,” “opportunity,” “initiative,” “target,” “outlook,” “optimistic,” “poised,” “maintain,” “continue,” “progress,” “advance,” “goal,” “aim,” “commit,” or similar expressions, or when we discuss our guidance, priorities, strategy, goals, vision, mission, opportunities, projections, intentions or expectations.

Factors, among others, that could cause actual results and events to differ materially from those expressed or implied in any forward-looking statement include risks and uncertainties relating to:

- California wildfires, including potential liability for damages regardless of fault and any inability to recover all or a substantial portion of costs from insurance, the Wildfire Fund, rates from customers or a combination thereof
- decisions, investigations, inquiries, regulations, denials or revocations of permits, consents, approvals or other authorizations, renewals of franchises, and other actions by (i) the CPUC, CRE, DOE, FERC, PUCT, and other governmental and regulatory bodies and (ii) the U.S., Mexico and states, counties, cities and other jurisdictions therein and in other countries where we do business
- the success of business development efforts, construction projects and acquisitions and divestitures, including risks in (i) being able to make a final investment decision, (ii) completing construction projects or other transactions on schedule and budget, (iii) realizing anticipated benefits from any of these efforts if completed, and (iv) obtaining the consent or approval of third parties
- litigation, arbitrations, property disputes and other proceedings, and changes to laws and regulations, including those related to the energy industry in Mexico
- cybersecurity threats, including by state and state-sponsored actors, of ransomware or other attacks on our systems or the systems of third parties with which we conduct business, including the energy grid or other energy infrastructure, all of which have become more pronounced due to recent geopolitical events
- our ability to borrow money on favorable terms and meet our obligations, including due to (i) actions by credit rating agencies to downgrade our credit ratings or place those ratings on negative outlook or (ii) rising interest rates and inflation
- failure of foreign governments, state-owned entities and our counterparties to honor their contracts and commitments
- the impact on affordability of SDG&E’s and SoCalGas’ customer rates and their cost of capital and on SDG&E’s, SoCalGas’ and Sempra Infrastructure’s ability to pass through higher costs to customers due to (i) volatility in inflation, interest rates and commodity prices, (ii) with respect to SDG&E’s and SoCalGas’ businesses, the cost of the clean energy transition in California, and (iii) with respect to Sempra Infrastructure’s business, volatility in foreign currency exchange rates
- the impact of climate and sustainability policies, laws, rules, regulations, disclosures and trends, including actions to reduce or eliminate reliance on natural gas, increased uncertainty in the political or regulatory environment for California natural gas distribution companies, the risk of nonrecovery for stranded assets, and our ability to incorporate new technologies
- weather, natural disasters, pandemics, accidents, equipment failures, explosions, terrorism, information system outages or other events that disrupt our operations, damage our facilities or systems, cause the release of harmful materials or fires or subject us to liability for damages, fines and penalties, some of which may not be recoverable through regulatory mechanisms or insurance or may impact our ability to obtain satisfactory levels of affordable insurance
- the availability of electric power, natural gas and natural gas storage capacity, including disruptions caused by failures in the transmission grid, pipeline system or limitations on the withdrawal of natural gas from storage facilities
- Oncor’s ability to reduce or eliminate its quarterly dividends due to regulatory and governance requirements and commitments, including by actions of Oncor’s independent directors or a minority member director
- changes in tax and trade policies, laws and regulations, including tariffs, revisions to international trade agreements and sanctions, any of which may increase our costs, reduce our competitiveness, impact our ability to do business with certain counterparties, or impair our ability to resolve trade disputes
- other uncertainties, some of which are difficult to predict and beyond our control

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

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SEMPRA
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(unaudited)			
REVENUES				
Utilities:				
Natural gas	$ 1,660	$ 1,704	$ 6,072	$ 4,024
Electric	1,054	1,189	2,081	2,306
Energy-related businesses	621	654	1,742	1,037
Total revenues	3,335	3,547	9,895	7,367
EXPENSES AND OTHER INCOME				
Utilities:				
Cost of natural gas	(311)	(528)	(2,994)	(1,330)
Cost of electric fuel and purchased power	(88)	(251)	(202)	(456)
Energy-related businesses cost of sales	(81)	(289)	(274)	(424)
Operation and maintenance	(1,366)	(1,162)	(2,575)	(2,248)
Aliso Canyon litigation and regulatory matters	—	(45)	—	(137)
Depreciation and amortization	(549)	(501)	(1,088)	(994)
Franchise fees and other taxes	(148)	(150)	(340)	(312)
Other income (expense), net	31	(1)	72	37
Interest income	17	15	41	40
Interest expense	(317)	(271)	(683)	(514)
Income before income taxes and equity earnings	523	364	1,852	1,029
Income tax expense	(175)	(80)	(551)	(414)
Equity earnings	388	375	607	701
Net income	736	659	1,908	1,316
Earnings attributable to noncontrolling interests	(121)	(88)	(313)	(122)
Preferred dividends	(11)	(11)	(22)	(22)
Preferred dividends of subsidiary	(1)	(1)	(1)	(1)
Earnings attributable to common shares	$ 603	$ 559	$ 1,572	$ 1,171
Basic EPS:				
Earnings	$ 1.91	$ 1.78	$ 4.99	$ 3.71
Weighted-average common shares outstanding	315,007	314,845	314,963	315,595
Diluted EPS:				
Earnings	$ 1.91	$ 1.77	$ 4.97	$ 3.70
Weighted-average common shares outstanding	316,060	315,867	316,092	316,647

See Notes to Condensed Consolidated Financial Statements.

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

	Sempra shareholders' equity				
	Pretax amount	Income tax (expense) benefit	Net-of-tax amount	Noncontrolling interests (after tax)	Total
	(unaudited)				
	Three months ended June 30, 2023 and 2022				
2023:					
Net income	$ 790	$ (175)	$ 615	$ 121	$ 736
Other comprehensive income (loss):					
Foreign currency translation adjustments	11	—	11	4	15
Financial instruments	69	(20)	49	52	101
Pension and other postretirement benefits	2	(1)	1	—	1
Total other comprehensive income	82	(21)	61	56	117
Comprehensive income	872	(196)	676	177	853
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)
Comprehensive income, after preferred dividends of subsidiary	$ 871	$ (196)	$ 675	$ 177	$ 852
2022:					
Net income	$ 651	$ (80)	$ 571	$ 88	$ 659
Other comprehensive income (loss):					
Foreign currency translation adjustments	2	—	2	—	2
Financial instruments	65	(17)	48	15	63
Pension and other postretirement benefits	4	(1)	3	—	3
Total other comprehensive income	71	(18)	53	15	68
Comprehensive income	722	(98)	624	103	727
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)
Comprehensive income, after preferred dividends of subsidiary	$ 721	$ (98)	$ 623	$ 103	$ 726
	Six months ended June 30, 2023 and 2022				
2023:					
Net income	$ 2,146	$ (551)	$ 1,595	$ 313	$ 1,908
Other comprehensive income (loss):					
Foreign currency translation adjustments	21	—	21	8	29
Financial instruments	8	(4)	4	2	6
Pension and other postretirement benefits	(10)	(1)	(11)	—	(11)
Total other comprehensive income	19	(5)	14	10	24
Comprehensive income	2,165	(556)	1,609	323	1,932
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)
Comprehensive income, after preferred dividends of subsidiary	$ 2,164	$ (556)	$ 1,608	$ 323	$ 1,931
2022:					
Net income	$ 1,608	$ (414)	$ 1,194	$ 122	$ 1,316
Other comprehensive income (loss):					
Foreign currency translation adjustments	5	—	5	1	6
Financial instruments	167	(41)	126	35	161
Pension and other postretirement benefits	13	(2)	11	—	11
Total other comprehensive income	185	(43)	142	36	178
Comprehensive income	1,793	(457)	1,336	158	1,494
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)
Comprehensive income, after preferred dividends of subsidiary	$ 1,792	$ (457)	$ 1,335	$ 158	$ 1,493

See Notes to Condensed Consolidated Financial Statements.

SEMPRA
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	June 30, 2023	December 31, 2022[1]
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,077	$ 370
Restricted cash	74	40
Accounts receivable – trade, net	1,970	2,635
Accounts receivable – other, net	489	685
Due from unconsolidated affiliates	26	54
Income taxes receivable	74	113
Inventories	383	403
Prepaid expenses	159	268
Regulatory assets	105	351
Fixed-price contracts and other derivatives	256	803
Greenhouse gas allowances	143	141
Other current assets	91	49
Total current assets	4,847	5,912
Other assets:		
Restricted cash	91	52
Regulatory assets	3,227	2,588
Greenhouse gas allowances	1,045	796
Nuclear decommissioning trusts	863	841
Dedicated assets in support of certain benefit plans	520	505
Deferred income taxes	149	135
Right-of-use assets – operating leases	722	655
Investment in Oncor Holdings	13,869	13,665
Other investments	2,146	2,012
Goodwill	1,602	1,602
Other intangible assets	331	344
Wildfire fund	288	303
Other long-term assets	1,549	1,382
Total other assets	26,402	24,880
Property, plant and equipment:		
Property, plant and equipment	68,270	63,893
Less accumulated depreciation and amortization	(16,792)	(16,111)
Property, plant and equipment, net	51,478	47,782
Total assets	$ 82,727	$ 78,574

[1] *Derived from audited financial statements.*
See Notes to Condensed Consolidated Financial Statements.

SEMPRA
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(Dollars in millions)

	June 30, 2023	December 31, 2022[1]
	(unaudited)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 2,512	$ 3,352
Accounts payable – trade	1,790	1,994
Accounts payable – other	234	275
Due to unconsolidated affiliates	5	—
Dividends and interest payable	651	621
Accrued compensation and benefits	364	484
Regulatory liabilities	650	504
Current portion of long-term debt and finance leases	924	1,019
Reserve for Aliso Canyon costs	126	129
Greenhouse gas obligations	143	141
Other current liabilities	1,052	1,380
Total current liabilities	8,451	9,899
Long-term debt and finance leases	27,521	24,548
Deferred credits and other liabilities:		
Due to unconsolidated affiliates	282	301
Regulatory liabilities	3,435	3,341
Greenhouse gas obligations	800	565
Pension and other postretirement benefit plan obligations, net of plan assets	346	410
Deferred income taxes	5,064	4,591
Asset retirement obligations	3,536	3,546
Deferred credits and other	2,278	2,117
Total deferred credits and other liabilities	15,741	14,871
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock (50 million shares authorized):		
Preferred stock, series C (0.9 million shares outstanding)	889	889
Common stock (1,125 million shares authorized; 315 million and 314 million shares outstanding at June 30, 2023 and December 31, 2022, respectively; no par value)	12,044	12,160
Retained earnings	15,024	14,201
Accumulated other comprehensive income (loss)	(121)	(135)
Total Sempra shareholders' equity	27,836	27,115
Preferred stock of subsidiary	20	20
Other noncontrolling interests	3,158	2,121
Total equity	31,014	29,256
Total liabilities and equity	$ 82,727	$ 78,574

[1] *Derived from audited financial statements.*
See Notes to Condensed Consolidated Financial Statements.

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

	Six months ended June 30,	
	2023	2022
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,908	$ 1,316
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,088	994
Deferred income taxes and investment tax credits	323	379
Equity earnings	(607)	(701)
Foreign currency transaction (gains) losses, net	(4)	22
Share-based compensation expense	31	32
Fixed-price contracts and other derivatives	(569)	122
Other	205	101
Net change in working capital components	1,474	(3)
Insurance receivable for Aliso Canyon costs	—	16
Distributions from investments	402	403
Changes in other noncurrent assets and liabilities, net	(514)	(317)
Net cash provided by operating activities	3,737	2,364
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(4,282)	(2,361)
Expenditures for investments	(184)	(181)
Purchases of nuclear decommissioning and other trust assets	(322)	(397)
Proceeds from sales of nuclear decommissioning and other trust assets	356	397
Other	11	7
Net cash used in investing activities	(4,421)	(2,535)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common dividends paid	(734)	(711)
Preferred dividends paid	(22)	(22)
Issuances of common stock	—	3
Repurchases of common stock	(31)	(476)
Issuances of debt (maturities greater than 90 days)	5,614	4,818
Payments on debt (maturities greater than 90 days) and finance leases	(3,392)	(1,543)
Decrease in short-term debt, net	(388)	(2,011)
Advances from unconsolidated affiliates	14	18
Proceeds from sales of noncontrolling interests	265	1,732
Distributions to noncontrolling interests	(252)	(106)
Contributions from noncontrolling interests	543	13
Settlement of cross-currency swaps	(99)	—
Other	(61)	(30)
Net cash provided by financing activities	1,457	1,685
Effect of exchange rate changes on cash, cash equivalents and restricted cash	7	(2)
Increase in cash, cash equivalents and restricted cash	780	1,512
Cash, cash equivalents and restricted cash, January 1	462	581
Cash, cash equivalents and restricted cash, June 30	$ 1,242	$ 2,093

See Notes to Condensed Consolidated Financial Statements.

SEMPRA

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Dollars in millions)

	Six months ended June 30,	
	2023	2022
	(unaudited)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	$ 612	$ 466
Income tax payments, net of refunds	120	233
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Repayment of advances from unconsolidated affiliate in lieu of distribution	$ 36	$ 32
Accrued capital expenditures	863	476
Contributions from NCI	186	—
Increase in finance lease obligations for investment in PP&E	36	22
(Decrease) increase in ARO for investment in PP&E	(46)	55
Common dividends declared but not paid	375	359
Preferred dividends declared but not paid	11	11

See Notes to Condensed Consolidated Financial Statements.

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

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	**Sempra shareholders' equity**	Non-controlling interests	**Total equity**
	(unaudited)						
	Three months ended June 30, 2023						
Balance at March 31, 2023	$ 889	$ 12,164	$ 14,796	$ (182)	**$ 27,667**	$ 2,578	**$ 30,245**
Net income			615		**615**	121	**736**
Other comprehensive income				61	**61**	56	**117**
Share-based compensation expense		14			**14**		**14**
Dividends declared:							
Series C preferred stock ($12.19/share)			(11)		**(11)**		**(11)**
Common stock ($1.19/share)			(375)		**(375)**		**(375)**
Preferred dividends of subsidiary			(1)		**(1)**		**(1)**
Noncontrolling interest activities:							
Contributions		(134)			**(134)**	632	**498**
Distributions						(209)	**(209)**
Balance at June 30, 2023	$ 889	$ 12,044	$ 15,024	$ (121)	**$ 27,836**	$ 3,178	**$ 31,014**
	Three months ended June 30, 2022						
Balance at March 31, 2022	$ 889	$ 11,656	$ 13,798	$ (229)	**$ 26,114**	$ 1,446	**$ 27,560**
Net income			571		**571**	88	**659**
Other comprehensive income				53	**53**	15	**68**
Share-based compensation expense		15			**15**		**15**
Dividends declared:							
Series C preferred stock ($12.19/share)			(11)		**(11)**		**(11)**
Common stock ($1.14/share)			(359)		**(359)**		**(359)**
Preferred dividends of subsidiary			(1)		**(1)**		**(1)**
Repurchases of common stock		(250)			**(250)**		**(250)**
Noncontrolling interest activities:							
Contributions						7	**7**
Distributions						(53)	**(53)**
Sale		700		9	**709**	709	**1,418**
Balance at June 30, 2022	$ 889	$ 12,121	$ 13,998	$ (167)	**$ 26,841**	$ 2,212	**$ 29,053**

See Notes to Condensed Consolidated Financial Statements.

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

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	**Sempra shareholders' equity**	Non-controlling interests	**Total equity**
	(unaudited)						
	Six months ended June 30, 2023						
Balance at December 31, 2022	$ 889	$ 12,160	$ 14,201	$ (135)	**$ 27,115**	$ 2,141	**$ 29,256**
Net income			1,595		**1,595**	313	**1,908**
Other comprehensive income				14	**14**	10	**24**
Share-based compensation expense		31			**31**		**31**
Dividends declared:							
Series C preferred stock ($24.38/share)			(22)		**(22)**		**(22)**
Common stock ($2.38/share)			(749)		**(749)**		**(749)**
Preferred dividends of subsidiary			(1)		**(1)**		**(1)**
Repurchases of common stock		(31)			**(31)**		**(31)**
Noncontrolling interest activities:							
Contributions		(134)			**(134)**	729	**595**
Distributions						(252)	**(252)**
Sale		18			**18**	237	**255**
Balance at June 30, 2023	$ 889	$ 12,044	$ 15,024	$ (121)	**$ 27,836**	$ 3,178	**$ 31,014**
	Six months ended June 30, 2022						
Balance at December 31, 2021	$ 889	$ 11,862	$ 13,548	$ (318)	**$ 25,981**	$ 1,438	**$ 27,419**
Net income			1,194		**1,194**	122	**1,316**
Other comprehensive income				142	**142**	36	**178**
Share-based compensation expense		32			**32**		**32**
Dividends declared:							
Series C preferred stock ($24.38/share)			(22)		**(22)**		**(22)**
Common stock ($2.29/share)			(721)		**(721)**		**(721)**
Preferred dividends of subsidiary			(1)		**(1)**		**(1)**
Issuances of common stock		3			**3**		**3**
Repurchases of common stock		(476)			**(476)**		**(476)**
Noncontrolling interest activities:							
Contributions						13	**13**
Distributions						(106)	**(106)**
Sale		700		9	**709**	709	**1,418**
Balance at June 30, 2022	$ 889	$ 12,121	$ 13,998	$ (167)	**$ 26,841**	$ 2,212	**$ 29,053**

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED STATEMENTS OF OPERATIONS
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(unaudited)			
Operating revenues:				
Electric	$ 1,058	$ 1,192	$ 2,089	$ 2,312
Natural gas	204	207	826	532
Total operating revenues	1,262	1,399	2,915	2,844
Operating expenses:				
Cost of electric fuel and purchased power	107	269	242	490
Cost of natural gas	38	69	417	195
Operation and maintenance	474	420	901	817
Depreciation and amortization	268	244	530	483
Franchise fees and other taxes	90	88	186	180
Total operating expenses	977	1,090	2,276	2,165
Operating income	285	309	639	679
Other income, net	22	22	50	56
Interest income	4	1	5	1
Interest expense	(123)	(114)	(241)	(220)
Income before income taxes	188	218	453	516
Income tax expense	(4)	(42)	(11)	(106)
Net income/Earnings attributable to common shares	$ 184	$ 176	$ 442	$ 410

See Notes to Condensed Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)

	Pretax amount	Income tax expense	Net-of-tax amount
	(unaudited)		
	Three months ended June 30, 2023 and 2022		
2023:			
Net income/Comprehensive income	$ 188	$ (4)	$ 184
2022:			
Net income/Comprehensive income	$ 218	$ (42)	$ 176
	Six months ended June 30, 2023 and 2022		
2023:			
Net income/Comprehensive income	$ 453	$ (11)	$ 442
2022:			
Net income/Comprehensive income	$ 516	$ (106)	$ 410

See Notes to Condensed Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED BALANCE SHEETS
(Dollars in millions)

	June 30, 2023	December 31, 2022[(1)]
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 332	$ 7
Accounts receivable – trade, net	813	799
Accounts receivable – other, net	149	110
Due from unconsolidated affiliates	1	—
Inventories	143	134
Prepaid expenses	78	179
Regulatory assets	39	247
Fixed-price contracts and other derivatives	76	113
Greenhouse gas allowances	22	22
Other current assets	25	19
Total current assets	1,678	1,630
Other assets:		
Regulatory assets	1,564	1,219
Greenhouse gas allowances	230	196
Nuclear decommissioning trusts	863	841
Right-of-use assets – operating leases	364	281
Wildfire fund	288	303
Other long-term assets	136	146
Total other assets	3,445	2,986
Property, plant and equipment:		
Property, plant and equipment	29,704	28,574
Less accumulated depreciation and amortization	(7,041)	(6,768)
Property, plant and equipment, net	22,663	21,806
Total assets	$ 27,786	$ 26,422

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

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED BALANCE SHEETS (CONTINUED)
(Dollars in millions)

	June 30, 2023	December 31, 2022[1]
	(unaudited)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ —	$ 205
Accounts payable	757	744
Due to unconsolidated affiliates	43	135
Interest payable	77	63
Accrued compensation and benefits	95	140
Accrued franchise fees	77	120
Regulatory liabilities	232	110
Current portion of long-term debt and finance leases	891	489
Greenhouse gas obligations	22	22
Asset retirement obligations	107	98
Other current liabilities	271	193
Total current liabilities	2,572	2,319
Long-term debt and finance leases	8,865	8,497
Deferred credits and other liabilities:		
Regulatory liabilities	2,406	2,298
Greenhouse gas obligations	119	81
Pension obligation, net of plan assets	33	42
Deferred income taxes	2,576	2,540
Asset retirement obligations	779	789
Deferred credits and other	927	789
Total deferred credits and other liabilities	6,840	6,539
Commitments and contingencies (Note 10)		
Shareholder's equity:		
Preferred stock (45 million shares authorized; none issued)	—	—
Common stock (255 million shares authorized; 117 million shares outstanding; no par value)	1,660	1,660
Retained earnings	7,856	7,414
Accumulated other comprehensive income (loss)	(7)	(7)
Total shareholder’s equity	9,509	9,067
Total liabilities and shareholder's equity	$ 27,786	$ 26,422

[1] *Derived from audited financial statements.*
See Notes to Condensed Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Six months ended June 30,	
	2023	2022
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 442	$ 410
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	530	483
Deferred income taxes and investment tax credits	(31)	41
Other	31	19
Net change in working capital components	235	165
Changes in noncurrent assets and liabilities, net	(241)	(105)
Net cash provided by operating activities	966	1,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(1,239)	(1,090)
Purchases of nuclear decommissioning trust assets	(265)	(397)
Proceeds from sales of nuclear decommissioning trust assets	294	397
Other	10	8
Net cash used in investing activities	(1,200)	(1,082)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of debt (maturities greater than 90 days)	792	1,395
Payments on debt (maturities greater than 90 days) and finance leases	(19)	(408)
Decrease in short-term debt, net	(205)	(401)
Debt issuance costs	(9)	(9)
Net cash provided by financing activities	559	577
Increase in cash and cash equivalents	325	508
Cash and cash equivalents, January 1	7	25
Cash and cash equivalents, June 30	$ 332	$ 533
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	$ 224	$ 206
Income tax payments, net of refunds	—	68
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	$ 233	$ 186
Increase in ARO for investment in PP&E	10	1
Increase in finance lease obligations for investment in PP&E	4	9

See Notes to Condensed Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(Dollars in millions)

	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	**Total shareholder's equity**
	(unaudited)			
	Three months ended June 30, 2023			
Balance at March 31, 2023	$ 1,660	$ 7,672	$ (7)	**$ 9,325**
Net income		184		**184**
Balance at June 30, 2023	$ 1,660	$ 7,856	$ (7)	**$ 9,509**
	Three months ended June 30, 2022			
Balance at March 31, 2022	$ 1,660	$ 6,833	$ (10)	**$ 8,483**
Net income		176		**176**
Balance at June 30, 2022	$ 1,660	$ 7,009	$ (10)	**$ 8,659**
	Six months ended June 30, 2023			
Balance at December 31, 2022	$ 1,660	$ 7,414	$ (7)	**$ 9,067**
Net income		442		**442**
Balance at June 30, 2023	$ 1,660	$ 7,856	$ (7)	**$ 9,509**
	Six months ended June 30, 2022			
Balance at December 31, 2021	$ 1,660	$ 6,599	$ (10)	**$ 8,249**
Net income		410		**410**
Balance at June 30, 2022	$ 1,660	$ 7,009	$ (10)	**$ 8,659**

See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED STATEMENTS OF OPERATIONS
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(unaudited)			
Operating revenues	$ 1,467	$ 1,501	$ 5,261	$ 3,494
Operating expenses:				
Cost of natural gas	284	459	2,631	1,136
Operation and maintenance	715	605	1,340	1,156
Aliso Canyon litigation and regulatory matters	—	45	—	137
Depreciation and amortization	208	188	414	375
Franchise fees and other taxes	56	57	145	119
Total operating expenses	1,263	1,354	4,530	2,923
Operating income	204	147	731	571
Other income (expense), net	1	4	(7)	38
Interest income	1	1	5	1
Interest expense	(71)	(45)	(140)	(85)
Income before income taxes	135	107	589	525
Income tax benefit (expense)	21	(19)	(73)	(103)
Net income	156	88	516	422
Preferred dividends	(1)	(1)	(1)	(1)
Earnings attributable to common shares	$ 155	$ 87	$ 515	$ 421

See Notes to Condensed Financial Statements.

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

	Pretax amount	Income tax benefit (expense)	Net-of-tax amount
	(unaudited)		
	Three months ended June 30, 2023 and 2022		
2023:			
Net income	$ 135	$ 21	$ 156
Other comprehensive income (loss):			
Financial instruments	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	$ 136	$ 21	$ 157
2022:			
Net income	$ 107	$ (19)	$ 88
Other comprehensive income (loss):			
Financial instruments	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	$ 108	$ (19)	$ 89
	Six months ended June 30, 2023 and 2022		
2023:			
Net income	$ 589	$ (73)	$ 516
Other comprehensive income (loss):			
Financial instruments	1	—	1
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	2	—	2
Comprehensive income	$ 591	$ (73)	$ 518
2022:			
Net income	$ 525	$ (103)	$ 422
Other comprehensive income (loss):			
Financial instruments	1	—	1
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	2	—	2
Comprehensive income	$ 527	$ (103)	$ 424

See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED BALANCE SHEETS
(Dollars in millions)

	June 30, 2023	December 31, 2022[1]
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1	$ 21
Accounts receivable – trade, net	856	1,295
Accounts receivable – other, net	84	293
Due from unconsolidated affiliates	1	77
Inventories	180	159
Regulatory assets	61	104
Greenhouse gas allowances	113	111
Other current assets	42	69
Total current assets	1,338	2,129
Other assets:		
Regulatory assets	1,585	1,291
Greenhouse gas allowances	729	551
Right-of-use assets – operating leases	35	42
Other long-term assets	605	583
Total other assets	2,954	2,467
Property, plant and equipment:		
Property, plant and equipment	25,872	25,058
Less accumulated depreciation and amortization	(7,573)	(7,308)
Property, plant and equipment, net	18,299	17,750
Total assets	$ 22,591	$ 22,346

[1] *Derived from audited financial statements.*

See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED BALANCE SHEETS (CONTINUED)
(Dollars in millions)

	June 30, 2023	December 31, 2022[1]
	(unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 238	$ 900
Accounts payable – trade	509	953
Accounts payable – other	161	176
Due to unconsolidated affiliates	36	36
Accrued compensation and benefits	170	209
Regulatory liabilities	418	394
Current portion of long-term debt and finance leases	22	318
Reserve for Aliso Canyon costs	126	129
Greenhouse gas obligations	113	111
Asset retirement obligations	66	68
Other current liabilities	312	429
Total current liabilities	2,171	3,723
Long-term debt and finance leases	6,790	5,780
Deferred credits and other liabilities:		
Regulatory liabilities	1,029	1,043
Greenhouse gas obligations	630	443
Pension obligation, net of plan assets	225	277
Deferred income taxes	1,466	1,306
Asset retirement obligations	2,672	2,675
Deferred credits and other	393	401
Total deferred credits and other liabilities	6,415	6,145
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock (11 million shares authorized; 1 million shares outstanding)	22	22
Common stock (100 million shares authorized; 91 million shares outstanding; no par value)	2,316	2,316
Retained earnings	4,899	4,384
Accumulated other comprehensive income (loss)	(22)	(24)
Total shareholders' equity	7,215	6,698
Total liabilities and shareholders' equity	$ 22,591	$ 22,346

[1] *Derived from audited financial statements.*
See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Six months ended June 30,	
	2023	2022
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 516	$ 422
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	414	375
Deferred income taxes and investment tax credits	79	103
Other	156	36
Net change in working capital components	40	225
Insurance receivable for Aliso Canyon costs	—	16
Changes in other noncurrent assets and liabilities, net	(280)	(316)
Net cash provided by operating activities	925	861
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(961)	(931)
Net cash used in investing activities	(961)	(931)
CASH FLOWS FROM FINANCING ACTIVITIES		
Preferred dividends paid	(1)	(1)
Equity contribution from Sempra	—	150
Issuances of debt (maturities greater than 90 days)	997	697
Payments on debt (maturities greater than 90 days) and finance leases	(1,109)	(6)
Increase (decrease) in short-term debt, net	138	(385)
Debt issuance costs	(9)	(6)
Net cash provided by financing activities	16	449
(Decrease) increase in cash and cash equivalents	(20)	379
Cash and cash equivalents, January 1	21	37
Cash and cash equivalents, June 30	$ 1	$ 416
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	$ 138	$ 75
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued capital expenditures	$ 222	$ 199
Increase in finance lease obligations for investment in PP&E	32	13
(Decrease) increase in ARO for investment in PP&E	(56)	54

See Notes to Condensed Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in millions)

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	**Total shareholders' equity**
	(unaudited)				
	Three months ended June 30, 2023				
Balance at March 31, 2023	$ 22	$ 2,316	$ 4,744	$ (23)	**$ 7,059**
Net income			156		**156**
Other comprehensive income				1	**1**
Dividends declared:					
Preferred stock ($0.37/share)			(1)		**(1)**
Balance at June 30, 2023	$ 22	$ 2,316	$ 4,899	$ (22)	**$ 7,215**
	Three months ended June 30, 2022				
Balance at March 31, 2022	$ 22	$ 1,666	$ 4,119	$ (30)	**$ 5,777**
Net income			88		**88**
Other comprehensive income				1	**1**
Dividends declared:					
Preferred stock ($0.37/share)			(1)		**(1)**
Equity contribution from Sempra		150			**150**
Balance at June 30, 2022	$ 22	$ 1,816	$ 4,206	$ (29)	**$ 6,015**
	Six months ended June 30, 2023				
Balance at December 31, 2022	$ 22	$ 2,316	$ 4,384	$ (24)	**$ 6,698**
Net income			516		**516**
Other comprehensive income				2	**2**
Dividends declared:					
Preferred stock ($0.75/share)			(1)		**(1)**
Balance at June 30, 2023	$ 22	$ 2,316	$ 4,899	$ (22)	**$ 7,215**
	Six months ended June 30, 2022				
Balance at December 31, 2021	$ 22	$ 1,666	$ 3,785	$ (31)	**$ 5,442**
Net income			422		**422**
Other comprehensive income				2	**2**
Dividends declared:					
Preferred stock ($0.75/share)			(1)		**(1)**
Equity contribution from Sempra		150			**150**
Balance at June 30, 2022	$ 22	$ 1,816	$ 4,206	$ (29)	**$ 6,015**

See Notes to Condensed Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION AND OTHER FINANCIAL DATA

PRINCIPLES OF CONSOLIDATION

Sempra

Effective May 12, 2023, our company changed its legal name from Sempra Energy to Sempra. Sempra's Condensed Consolidated Financial Statements include the accounts of Sempra, a California-based holding company, and its consolidated entities. We have four separate reportable segments, which we discuss in Note 11. All references in these Notes to our reportable segments are not intended to refer to any legal entity with the same or similar name.

SDG&E

SDG&E's common stock is wholly owned by Enova Corporation, which is a wholly owned subsidiary of Sempra.

SoCalGas

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

BASIS OF PRESENTATION

This is a combined report of Sempra, SDG&E and SoCalGas. We provide separate information for SDG&E and SoCalGas as required. We have eliminated intercompany accounts and transactions within Sempra's consolidated financial statements.

We have prepared our Condensed Consolidated Financial Statements in conformity with U.S. GAAP and in accordance with the interim period reporting requirements of Form 10-Q and applicable rules of the SEC. The financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim periods. These adjustments are only of a normal, recurring nature. Results of operations for interim periods are not necessarily indicative of results for the entire year or for any other period. We evaluated events and transactions that occurred after June 30, 2023 through the date the financial statements were issued and, in the opinion of management, the accompanying statements reflect all adjustments necessary for a fair presentation.

All December 31, 2022 balance sheet information in the Condensed Consolidated Financial Statements has been derived from our audited 2022 Consolidated Financial Statements in the Annual Report. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the interim period reporting provisions of U.S. GAAP and the SEC.

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

The information contained in this report should be read in conjunction with the Annual Report.

Regulated Operations

SDG&E, SoCalGas and Sempra Infrastructure's natural gas distribution utility, Ecogas, prepare their financial statements in accordance with the provisions of U.S. GAAP governing rate-regulated operations. We discuss revenue recognition and the effects of regulation at our utilities in Notes 3 and 4 below and in Notes 1, 3 and 4 of the Notes to Consolidated Financial Statements in the Annual Report.

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

Certain business activities at Sempra Infrastructure are regulated by the CRE and the FERC and meet the regulatory accounting requirements of U.S. GAAP. Pipeline projects currently under construction that meet the regulatory accounting requirements of U.S. GAAP record the impact of AFUDC related to equity. We discuss AFUDC below and in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash equivalents are highly liquid investments with original maturities of three months or less at the date of purchase.

Restricted cash includes:

- for Sempra Infrastructure, funds fully drawn against SEFE's letters of credit, including draws associated with its LNG storage and regasification agreement; funds denominated in U.S. dollars and Mexican pesos to pay for rights-of-way and other costs pursuant to trust agreements related to pipeline projects; and certain funds at Port Arthur LNG for which withdrawals and usage are dictated by its debt agreements
- for Parent and other, funds held in a delisting trust for the purpose of purchasing the remaining publicly owned IEnova shares

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on Sempra's Condensed Consolidated Balance Sheets to the sum of such amounts reported on Sempra's Condensed Consolidated Statements of Cash Flows.

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH
(Dollars in millions)

	June 30, 2023	December 31, 2022
Cash and cash equivalents	$ 1,077	$ 370
Restricted cash, current	74	40
Restricted cash, noncurrent	91	52
Total cash, cash equivalents and restricted cash on the Condensed Consolidated Statements of Cash Flows	$ 1,242	$ 462

CREDIT LOSSES

We are exposed to credit losses from financial assets measured at amortized cost, including trade and other accounts receivable, amounts due from unconsolidated affiliates, our net investment in sales-type leases and a note receivable. We are also exposed to credit losses from off-balance sheet arrangements through Sempra's guarantee related to Cameron LNG JV's SDSRA, which we discuss in Note 5.

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

In the first quarter of 2022, SDG&E and SoCalGas received $63 million and $79 million, respectively, on behalf of their customers from the California Department of Community Services and Development under the 2021 California Arrearage Payment Program and applied the amounts directly to eligible customer accounts to reduce past due balances. In June 2022, AB 205 was approved establishing, among other things, the 2022 California Arrearage Payment Program. In December 2022, SDG&E and SoCalGas received funding of $51 million and $59 million, respectively, related to this program and, in January 2023, applied the amounts directly to eligible customer accounts to reduce past due balances.

We provide below the changes in allowances for credit losses for trade receivables and other receivables. SDG&E and SoCalGas record changes in the allowances for credit losses related to Accounts Receivable – Trade in regulatory accounts.

CHANGES IN ALLOWANCES FOR CREDIT LOSSES
(Dollars in millions)

	2023	2022
Sempra:		
Allowances for credit losses at January 1	$ 181	$ 136
Provisions for expected credit losses	228	77
Write-offs	(43)	(36)
Allowances for credit losses at June 30	$ 366	$ 177
SDG&E:		
Allowances for credit losses at January 1	$ 78	$ 66
Provisions for expected credit losses	63	37
Write-offs	(23)	(18)
Allowances for credit losses at June 30	$ 118	$ 85
SoCalGas:		
Allowances for credit losses at January 1	$ 98	$ 69
Provisions for expected credit losses	164	37
Write-offs	(20)	(18)
Allowances for credit losses at June 30	$ 242	$ 88

Allowances for credit losses related to trade receivables and other receivables are included in the Condensed Consolidated Balance Sheets as follows:

ALLOWANCES FOR CREDIT LOSSES
(Dollars in millions)

	June 30, 2023	December 31, 2022
Sempra:		
Accounts receivable – trade, net	$ 320	$ 140
Accounts receivable – other, net	46	40
Other long-term assets	—	1
Total allowances for credit losses	$ 366	$ 181
SDG&E:		
Accounts receivable – trade, net	$ 91	$ 52
Accounts receivable – other, net	27	25
Other long-term assets	—	1
Total allowances for credit losses	$ 118	$ 78
SoCalGas:		
Accounts receivable – trade, net	$ 223	$ 83
Accounts receivable – other, net	19	15
Total allowances for credit losses	$ 242	$ 98

As we discuss below in “Note Receivable,” we have an interest-bearing promissory note due from KKR Pinnacle. On a quarterly basis, we evaluate credit losses and record allowances for expected credit losses on this note receivable, including compounded interest and unamortized transaction costs, based on published default rate studies, the maturity date of the instrument and an internally developed credit rating. At June 30, 2023 and December 31, 2022, $6 million and $7 million, respectively, of expected credit losses are included in Other Long-Term Assets on Sempra’s Condensed Consolidated Balance Sheets.

As we discuss in Note 5, Sempra provided a guarantee for the benefit of Cameron LNG JV related to amounts withdrawn by Sempra Infrastructure from the SDSRA. On a quarterly basis, we evaluate credit losses and record liabilities for expected credit losses on this off-balance sheet arrangement based on external credit ratings, published default rate studies and the maturity date of the arrangement. At both June 30, 2023 and December 31, 2022, $6 million of expected credit losses are included in Deferred Credits and Other on Sempra’s Condensed Consolidated Balance Sheets.

INVENTORIES

The components of inventories are as follows:

INVENTORY BALANCES
(Dollars in millions)

	Sempra		SDG&E		SoCalGas	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Natural gas	$ 87	$ 106	$ 1	$ 1	$ 63	$ 74
LNG	17	62	—	—	—	—
Materials and supplies	279	235	142	133	117	85
Total	$ 383	$ 403	$ 143	$ 134	$ 180	$ 159

NOTE RECEIVABLE

In November 2021, Sempra loaned $300 million to KKR Pinnacle in exchange for an interest-bearing promissory note that is due in full no later than October 2029 and bears compound interest at 5% per annum, which may be paid quarterly or added to the outstanding principal at the election of KKR Pinnacle. At June 30, 2023 and December 31, 2022, Other Long-Term Assets includes $324 million and $316 million, respectively, of outstanding principal, compounded interest and unamortized transaction costs, net of allowance for credit losses, on Sempra's Condensed Consolidated Balance Sheets.

CAPITALIZED FINANCING COSTS

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

The table below summarizes capitalized financing costs, comprised of AFUDC and capitalized interest.

CAPITALIZED FINANCING COSTS
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sempra	$ 110	$ 60	$ 183	$ 117
SDG&E	31	26	62	54
SoCalGas	20	17	35	35

PROPERTY, PLANT AND EQUIPMENT

Sempra Infrastructure's Sonora natural gas pipeline consists of two segments, the Sasabe-Puerto Libertad-Guaymas segment and the Guaymas-El Oro segment. Each segment has its own service agreement with the CFE. Following the start of commercial operations of the Guaymas-El Oro segment, Sempra Infrastructure reported damage to the pipeline in the Yaqui territory that has made that section inoperable since August 2017. Discussions with the CFE regarding the future of the pipeline are underway and the parties are working on restarting service on the pipeline, including the potential re-routing of a portion of the pipeline. If the parties do not agree on a definitive arrangement to re-route a portion of the pipeline or the parties do not agree on a new service start date, Sempra Infrastructure retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits. At June 30, 2023, Sempra Infrastructure had $414 million in PP&E, net, related to the Guaymas-El Oro segment of the Sonora pipeline.

VARIABLE INTEREST ENTITIES

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

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

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

SDG&E

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

SDG&E has agreements under which it purchases power generated by facilities for which it supplies all of the natural gas to fuel the power plant (i.e., tolling agreements). SDG&E's obligation to absorb natural gas costs may be a significant variable interest. In addition, SDG&E has the power to direct the dispatch of electricity generated by these facilities. Based on our analysis, the ability to direct the dispatch of electricity may have the most significant impact on the economic performance of the entity owning the generating facility because of the associated exposure to the cost of natural gas, which fuels the plants, and the value of electricity produced. To the extent that SDG&E (1) is obligated to purchase and provide fuel to operate the facility, (2) has the power to direct the dispatch, and (3) purchases all of the output from the facility for a substantial portion of the facility's useful life, SDG&E may be the primary beneficiary of the entity owning the generating facility. SDG&E determines if it is the primary beneficiary in these cases based on a qualitative approach in which it considers the operational characteristics of the facility, including its expected power generation output relative to its capacity to generate and the financial structure of the entity, among other factors. If SDG&E determines that it is the primary beneficiary, SDG&E and Sempra consolidate the entity that owns the facility as a VIE.

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

SDG&E determined that none of its PPAs and tolling agreements resulted in SDG&E being the primary beneficiary of a VIE at June 30, 2023 and December 31, 2022. PPAs and tolling agreements that relate to SDG&E's involvement with VIEs are primarily accounted for as finance leases. The carrying amounts of the assets and liabilities under these contracts are included in PP&E, net, and finance lease liabilities with balances of $1,181 million and $1,194 million at June 30, 2023 and December 31, 2022, respectively. SDG&E recovers costs incurred on PPAs, tolling agreements and other variable interests through CPUC-approved long-term power procurement plans. SDG&E has no residual interest in the respective entities and has not provided or guaranteed any debt or equity support, liquidity arrangements, performance guarantees or other commitments associated with these contracts other than the purchase commitments described in Note 16 of the Notes to Consolidated Financial Statements in the Annual Report. As a result, SDG&E's potential exposure to loss from its variable interest in these VIEs is not significant.

Sempra Texas Utilities

Oncor Holdings is a VIE. Sempra is not the primary beneficiary of this VIE because of the structural and operational ring-fencing and governance measures in place that prevent us from having the power to direct the significant activities of Oncor Holdings. As a result, we do not consolidate Oncor Holdings and instead account for our ownership interest as an equity method investment. See Note 6 of the Notes to Consolidated Financial Statements in the Annual Report for additional information about our equity method investment in Oncor Holdings and restrictions on our ability to influence its activities. Our maximum exposure to loss, which fluctuates over time, from our interest in Oncor Holdings does not exceed the carrying value of our investment, which was $13,869 million and $13,665 million at June 30, 2023 and December 31, 2022, respectively.

Sempra Infrastructure

Cameron LNG JV

Cameron LNG JV is a VIE principally due to contractual provisions that transfer certain risks to customers. Sempra is not the primary beneficiary of this VIE because we do not have the power to direct the most significant activities of Cameron LNG JV, including LNG production and operation and maintenance activities at the liquefaction facility. Therefore, we account for our investment in Cameron LNG JV under the equity method. The carrying value of our investment, including amounts recognized in AOCI related to interest-rate cash flow hedges at Cameron LNG JV, was $979 million at June 30, 2023 and $886 million at December 31, 2022. Our maximum exposure to loss, which fluctuates over time, includes the carrying value of our investment and our obligation under the SDSRA, which we discuss in Note 5.

CFIN

As we discuss in Note 5, in July 2020, Sempra entered into a Support Agreement for the benefit of CFIN, which is a VIE. Sempra is not the primary beneficiary of this VIE because we do not have the power to direct the most significant activities of CFIN, including modification, prepayment, and refinance decisions related to the financing arrangement with external lenders and Cameron LNG JV's four project owners as well as the ability to determine and enforce remedies in the event of default. The conditional obligations of the Support Agreement represent a variable interest that we measure at fair value on a recurring basis (see Note 8). Sempra's maximum exposure to loss under the terms of the Support Agreement is $979 million.

ECA LNG Phase 1

ECA LNG Phase 1 is a VIE because its total equity at risk is not sufficient to finance its activities without additional subordinated financial support. We expect that ECA LNG Phase 1 will require future capital contributions or other financial support to finance the construction of the facility. Sempra is the primary beneficiary of this VIE because we have the power to direct the activities related to the construction and future operation and maintenance of the liquefaction facility. As a result, we consolidate ECA LNG Phase 1. Sempra consolidated $1,330 million and $1,099 million of assets at June 30, 2023 and December 31, 2022, respectively, consisting primarily of PP&E, net, attributable to ECA LNG Phase 1 that could be used only to settle obligations of this VIE and that are not available to settle obligations of Sempra, and $900 million and $685 million of liabilities at June 30, 2023 and December 31, 2022, respectively, consisting primarily of long-term debt, accounts payable and short-term debt attributable to ECA LNG Phase 1 for which creditors do not have recourse to the general credit of Sempra. Additionally, as we discuss in Note 6, IEnova and TotalEnergies SE have provided guarantees for 83.4% and 16.6%, respectively, of the loan facility supporting construction of the liquefaction facility.

Port Arthur LNG

Port Arthur LNG is a VIE because its total equity at risk is not sufficient to finance its activities without additional subordinated financial support. We expect that Port Arthur LNG will require future capital contributions or other financial support to finance the construction of the PA LNG Phase 1 project. Sempra is the primary beneficiary of this VIE because we have the power to direct the activities related to the construction and future operation and maintenance of the liquefaction facility. As a result, we consolidate Port Arthur LNG. Sempra consolidated $2,690 million of assets at June 30, 2023 consisting primarily of PP&E, net, attributable to Port Arthur LNG that could be used only to settle obligations of this VIE and that are not available to settle obligations of Sempra, and $455 million of liabilities at June 30, 2023 consisting primarily of accounts payable and long-term debt attributable to Port Arthur LNG for which creditors do not have recourse to the general credit of Sempra.

PENSION AND PBOP

Net Periodic Benefit Cost

The following tables provide the components of net periodic benefit cost. The components of net periodic benefit cost, other than the service cost component, are included in the Other Income (Expense), Net, table below.

NET PERIODIC BENEFIT COST – SEMPRA
(Dollars in millions)

	Pension		PBOP	
	Three months ended June 30,			
	2023	2022	2023	2022
Service cost	$ 29	$ 42	$ 3	$ 6
Interest cost	39	29	10	7
Expected return on assets	(42)	(45)	(18)	(16)
Amortization of:				
Prior service cost	1	2	—	—
Actuarial loss (gain)	2	5	(6)	(3)
Net periodic benefit cost (credit)	29	33	(11)	(6)
Regulatory adjustments	29	24	11	6
Total expense recognized	$ 58	$ 57	$ —	$ —

	Six months ended June 30,			
	2023	2022	2023	2022
Service cost	$ 57	$ 83	$ 7	$ 13
Interest cost	79	59	19	14
Expected return on assets	(85)	(91)	(35)	(32)
Amortization of:				
Prior service cost (credit)	2	5	(1)	(1)
Actuarial loss (gain)	4	11	(12)	(7)
Net periodic benefit cost (credit)	57	67	(22)	(13)
Regulatory adjustments	58	(3)	22	13
Total expense recognized	$ 115	$ 64	$ —	$ —

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

	Pension		PBOP	
	Three months ended June 30,			
	2023	2022	2023	2022
Service cost	$ 8	$ 10	$ —	$ 1
Interest cost	10	6	2	2
Expected return on assets	(10)	(11)	(2)	(3)
Amortization of:				
Actuarial loss	1	1	—	—
Net periodic benefit cost	9	6	—	—
Regulatory adjustments	4	7	—	—
Total expense recognized	$ 13	$ 13	$ —	$ —

	Six months ended June 30,			
	2023	2022	2023	2022
Service cost	$ 16	$ 20	$ 1	$ 3
Interest cost	20	13	4	3
Expected return on assets	(20)	(22)	(4)	(5)
Amortization of:				
Actuarial loss (gain)	2	1	(1)	(1)
Net periodic benefit cost	18	12	—	—
Regulatory adjustments	8	2	—	—
Total expense recognized	$ 26	$ 14	$ —	$ —

NET PERIODIC BENEFIT COST – SOCALGAS
(Dollars in millions)

	Pension		PBOP	
	Three months ended June 30,			
	2023	2022	2023	2022
Service cost	$ 17	$ 28	$ 2	$ 5
Interest cost	26	21	7	6
Expected return on assets	(31)	(33)	(15)	(14)
Amortization of:				
Prior service cost	1	2	—	—
Actuarial loss (gain)	—	4	(5)	(3)
Net periodic benefit cost (credit)	13	22	(11)	(6)
Regulatory adjustments	25	17	11	6
Total expense recognized	$ 38	$ 39	$ —	$ —
	Six months ended June 30,			
	2023	2022	2023	2022
Service cost	$ 34	$ 56	$ 5	$ 10
Interest cost	51	41	14	11
Expected return on assets	(60)	(64)	(30)	(27)
Amortization of:				
Prior service cost (credit)	2	4	(1)	(1)
Actuarial loss (gain)	—	8	(10)	(6)
Net periodic benefit cost (credit)	27	45	(22)	(13)
Regulatory adjustments	50	(5)	22	13
Total expense recognized	$ 77	$ 40	$ —	$ —

DEDICATED ASSETS IN SUPPORT OF CERTAIN BENEFITS PLANS

In support of its Supplemental Executive Retirement, Cash Balance Restoration and Deferred Compensation Plans, Sempra maintains dedicated assets, including a Rabbi Trust and investments in life insurance contracts, which totaled $520 million and $505 million at June 30, 2023 and December 31, 2022, respectively.

SEMPRA EARNINGS PER COMMON SHARE

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

EARNINGS PER COMMON SHARE COMPUTATIONS
(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Earnings attributable to common shares	$ 603	$ 559	$ 1,572	$ 1,171
Denominator:				
Weighted-average common shares outstanding for basic EPS(1)	315,007	314,845	314,963	315,595
Dilutive effect of stock options and RSUs(2)	1,053	1,022	1,129	1,052
Weighted-average common shares outstanding for diluted EPS	316,060	315,867	316,092	316,647
EPS:				
Basic	$ 1.91	$ 1.78	$ 4.99	$ 3.71
Diluted	$ 1.91	$ 1.77	$ 4.97	$ 3.70

(1) Includes 355 and 399 fully vested RSUs held in our Deferred Compensation Plan for the three months ended June 30, 2023 and 2022, respectively, and 358 and 403 of such RSUs for the six months ended June 30, 2023 and 2022, respectively. These fully vested RSUs are included in weighted-average common shares outstanding for basic EPS because there are no conditions under which the corresponding shares will not be issued.

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

The potentially dilutive impact from stock options and RSUs is calculated under the treasury stock method. Under this method, proceeds based on the exercise price and unearned compensation are assumed to be used to repurchase shares on the open market at the average market price for the period, reducing the number of potential new shares to be issued and sometimes causing an antidilutive effect. The computation of diluted EPS for the three months and six months ended June 30, 2023 excludes 214,069 and 197,042 potentially dilutive shares, respectively, and the computation of diluted EPS for the three months and six months ended June 30, 2022 excludes 8,899 and 173,064 potentially dilutive shares, respectively, because to include them would be antidilutive for the period. However, these shares could potentially dilute basic EPS in the future.

Pursuant to Sempra's share-based compensation plans, the Compensation and Talent Development Committee of Sempra's board of directors granted 163,287 nonqualified stock options, 330,810 performance-based RSUs and 135,461 service-based RSUs in the six months ended June 30, 2023, primarily in January.

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

COMPREHENSIVE INCOME

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

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

	Foreign currency translation adjustments	Financial instruments	Pension and PBOP	Total AOCI
	Three months ended June 30, 2023 and 2022			
Sempra:				
Balance at March 31, 2023	$ (49)	$ (35)	$ (98)	$ (182)
OCI before reclassifications	11	53	—	64
Amounts reclassified from AOCI	—	(4)	1	(3)
Net OCI	11	49	1	61
Balance at June 30, 2023	$ (38)	$ 14	$ (97)	$ (121)
Balance at March 31, 2022	$ (76)	$ (78)	$ (75)	$ (229)
OCI before reclassifications	1	37	1	39
Amounts reclassified from AOCI[(2)]	10	11	2	23
Net OCI[(2)]	11	48	3	62
Balance at June 30, 2022	$ (65)	$ (30)	$ (72)	$ (167)
SDG&E:				
Balance at March 31, 2023 and June 30, 2023			$ (7)	$ (7)
Balance at March 31, 2022 and June 30, 2022			$ (10)	$ (10)
SoCalGas:				
Balance at March 31, 2023		$ (12)	$ (11)	$ (23)
Amounts reclassified from AOCI		1	—	1
Net OCI		1	—	1
Balance at June 30, 2023		$ (11)	$ (11)	$ (22)
Balance at March 31, 2022		$ (13)	$ (17)	$ (30)
Amounts reclassified from AOCI		1	—	1
Net OCI		1	—	1
Balance at June 30, 2022		$ (12)	$ (17)	$ (29)

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

(2) *Total AOCI includes $9 of foreign currency translation adjustments associated with sale of NCI to ADIA, which we discuss below in "Other Noncontrolling Interests – Sempra Infrastructure." This transaction did not impact the Condensed Consolidated Statement of Comprehensive Income (Loss).*

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

	Foreign currency translation adjustments	Financial instruments	Pension and PBOP	Total AOCI
	Six months ended June 30, 2023 and 2022			
Sempra:				
Balance at December 31, 2022	$ (59)	$ 10	$ (86)	$ (135)
OCI before reclassifications	21	13	(13)	21
Amounts reclassified from AOCI	—	(9)	2	(7)
Net OCI	21	4	(11)	14
Balance at June 30, 2023	$ (38)	$ 14	$ (97)	$ (121)
Balance at December 31, 2021	$ (79)	$ (156)	$ (83)	$ (318)
OCI before reclassifications	4	111	7	122
Amounts reclassified from AOCI[(2)]	10	15	4	29
Net OCI[(2)]	14	126	11	151
Balance at June 30, 2022	$ (65)	$ (30)	$ (72)	$ (167)
SDG&E:				
Balance at December 31, 2022 and June 30, 2023			$ (7)	$ (7)
Balance at December 31, 2021 and June 30, 2022			$ (10)	$ (10)
SoCalGas:				
Balance at December 31, 2022		$ (12)	$ (12)	$ (24)
Amounts reclassified from AOCI		1	1	2
Net OCI		1	1	2
Balance at June 30, 2023		$ (11)	$ (11)	$ (22)
Balance at December 31, 2021		$ (13)	$ (18)	$ (31)
Amounts reclassified from AOCI		1	1	2
Net OCI		1	1	2
Balance at June 30, 2022		$ (12)	$ (17)	$ (29)

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

(2) *Total AOCI includes $9 of foreign currency translation adjustments associated with sale of NCI to ADIA, which we discuss below in "Other Noncontrolling Interests – Sempra Infrastructure." This transaction did not impact the Condensed Consolidated Statement of Comprehensive Income (Loss).*

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

Details about AOCI	Amounts reclassified from AOCI		Affected line item on Condensed Consolidated Statements of Operations
	Three months ended June 30,		
	2023	2022	
Sempra:			
Foreign currency translation adjustments	$ —	$ 1	Operation and Maintenance
Financial instruments:			
Interest rate instruments	$ (14)	$ 13	Equity Earnings[1]
Foreign exchange instruments	—	(1)	Revenues: Energy-Related Businesses
	1	1	Other Income (Expense), Net
Foreign exchange instruments	1	—	Equity Earnings
Interest rate and foreign exchange instruments	(1)	(1)	Interest Expense
Total, before income tax	(13)	12	
	—	(4)	Income Tax Expense
Total, net of income tax	(13)	8	
	9	3	Earnings Attributable to Noncontrolling Interests
Total, net of income tax and after NCI	$ (4)	$ 11	
Pension and PBOP[2]:			
Amortization of actuarial loss	$ 1	$ 2	Other Income (Expense), Net
Amortization of prior service cost	—	1	Other Income (Expense), Net
Total, before income tax	1	3	
	—	(1)	Income Tax Expense
Total, net of income tax	$ 1	$ 2	
Total reclassifications for the period, net of income tax and after NCI	$ (3)	$ 14	
SoCalGas:			
Financial instruments:			
Interest rate instruments	$ 1	$ 1	Interest Expense
Total reclassifications for the period, net of income tax	$ 1	$ 1	

(1) *Equity earnings at our foreign equity method investees are recognized after tax.*
(2) *Amounts are included in the computation of net periodic benefit cost (see “Net Periodic Benefit Cost” above).*

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

Details about AOCI	Amounts reclassified from AOCI		Affected line item on Condensed Consolidated Statements of Operations
	Six months ended June 30,		
	2023	2022	
Sempra:			
Foreign currency translation adjustments	$ —	$ 1	Operation and Maintenance
Financial instruments:			
Interest rate instruments	$ —	$ (1)	Interest Expense
Interest rate instruments	(21)	27	Equity Earnings[1]
Foreign exchange instruments	—	(2)	Revenues: Energy-Related Businesses
	2	1	Other Income (Expense), Net
Foreign exchange instruments	2	(1)	Equity Earnings[1]
Interest rate and foreign exchange instruments	(1)	(1)	Interest Expense
	(6)	(6)	Other Income (Expense), Net
Total, before income tax	(24)	17	
	3	(5)	Income Tax Expense
Total, net of income tax	(21)	12	
	12	3	Earnings Attributable to Noncontrolling Interests
Total, net of income tax and after NCI	$ (9)	$ 15	
Pension and PBOP[2]:			
Amortization of actuarial loss	$ 1	$ 4	Other Income (Expense), Net
Amortization of prior service cost	1	2	Other Income (Expense), Net
Total, before income tax	2	6	
	—	(2)	Income Tax Expense
Total, net of income tax	$ 2	$ 4	
Total reclassifications for the period, net of income tax and after NCI	$ (7)	$ 20	
SoCalGas:			
Financial instruments:			
Interest rate instruments	$ 1	$ 1	Interest Expense
Pension and PBOP[2]:			
Amortization of actuarial loss	$ —	$ 1	Other Income (Expense), Net
Amortization of prior service cost	1	—	Other Income (Expense), Net
Total, net of income tax	$ 1	$ 1	
Total reclassifications for the period, net of income tax	$ 2	$ 2	

[1] *Equity earnings at our foreign equity method investees are recognized after tax.*
[2] *Amounts are included in the computation of net periodic benefit cost (see “Net Periodic Benefit Cost” above).*

For the three months and six months ended June 30, 2023 and 2022, reclassifications out of AOCI to net income were negligible for SDG&E.

SHAREHOLDERS’ EQUITY AND NONCONTROLLING INTERESTS

Sempra Common Stock

On May 12, 2023, Sempra’s shareholders approved an amendment to Sempra’s Articles of Incorporation to increase the number of authorized shares of Sempra’s common stock from 750,000,000 to 1,125,000,000.

Sempra Common Stock Repurchases

In the six months ended June 30, 2023 and 2022, we repurchased 197,770 shares for $31 million and 196,592 shares for $26 million, respectively, of our common stock from long-term incentive plan participants to satisfy minimum statutory tax withholding requirements in connection with the vesting of RSUs and exercise of stock options.

On January 11, 2022, we entered into an ASR program under which we prepaid $200 million to repurchase shares of our common stock in a share forward transaction. A total of 1,472,756 shares were purchased under this program at an average price of $135.80 per share. The total number of shares purchased was determined by dividing the $200 million purchase price by the arithmetic average of the volume-weighted average trading prices of shares of our common stock during the valuation period of January 12, 2022 through February 11, 2022, minus a fixed discount. The ASR program was completed on February 11, 2022.

On April 6, 2022, we entered into an ASR program under which we prepaid $250 million to repurchase shares of our common stock in a share forward transaction. A total of 1,471,957 shares were purchased under this program at an average price of $169.84 per share. The total number of shares purchased was determined by dividing the $250 million purchase price by the arithmetic average of the volume-weighted average trading prices of shares of our common stock during the valuation period of April 7, 2022 through April 25, 2022, minus a fixed discount. The ASR program was completed on April 25, 2022.

Other Noncontrolling Interests

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

OTHER NONCONTROLLING INTERESTS
(Dollars in millions)

	Percent ownership held by noncontrolling interests		Equity held by noncontrolling interests	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Sempra Infrastructure:				
SI Partners	30.0 %	30.0 %	$ 2,424	$ 2,060
SI Partners subsidiaries[(1)]	0.1 - 30.0	0.1 - 16.6	734	61
Total Sempra			$ 3,158	$ 2,121

[(1)] *SI Partners has subsidiaries with NCI held by others. Percentage range reflects the highest and lowest ownership percentages among these subsidiaries.*

Sempra Infrastructure

Sale of NCI to KKR Denali. In March 2023, an indirect subsidiary of SI Partners entered into an agreement for the sale to KKR Denali of an indirect interest in the PA LNG Phase 1 project. KKR Denali intends to acquire a 42% indirect interest in the PA LNG Phase 1 project for approximately $108 million, plus its pro rata equity share of development costs incurred prior to the closing that exceed $439 million, subject to customary post-closing adjustments. We are targeting the closing of the sale of NCI to KKR Denali in the third quarter of 2023, subject to regulatory approvals and other closing conditions. If the closing conditions are satisfied and KKR Denali fails to complete the closing, then KKR Denali must pay a termination fee of $130 million.

In connection with the closing of the sale of NCI to KKR Denali, the associated limited liability company agreement will be amended and restated to include KKR Denali as a member of such company and to set forth certain governance and other agreements with respect to the funding of the PA LNG Phase 1 project. Pursuant to the limited liability company agreement, (i) the indirect subsidiary of SI Partners (a) will be the managing member; (b) will exclusively hold the right to make decisions with respect to certain expansions, such as the potential PA LNG Phase 2 project; (c) will have certain rights to preferential distributions from specified revenues and expansion true-up payments; and, (d) through a parent entity that is a subsidiary of Sempra, will bear a disproportionately higher allocation of certain capital contribution commitments in certain budgetary overrun scenarios, and (ii) KKR Denali will receive certain investor protection voting rights. The indirect subsidiary of SI Partners and KKR Denali will also make capital contribution commitments to fund their respective equity share of the equity funding amount of anticipated development costs of the PA LNG Phase 1 project, except in those certain budget overrun scenarios discussed above.

Upon closing of the sale of NCI to KKR Denali, Sempra would hold an indirect interest in the PA LNG Phase 1 project of 19.6%.

Sale of NCI to ConocoPhillips Affiliate. In March 2023, an indirect subsidiary of SI Partners completed the sale of an indirect 30% NCI in the PA LNG Phase 1 project to an affiliate of ConocoPhillips for aggregate cash consideration of approximately $265 million, subject to customary post-closing adjustments. As a result of this sale, we recorded a $237 million increase in equity held by NCI and an increase in Sempra's shareholders' equity of $18 million, net of $3 million in transaction costs and $7 million in tax impacts.

At the closing of the sale of NCI to the ConocoPhillips affiliate, the associated limited liability company agreement was amended and restated to include the ConocoPhillips affiliate as a member of such company and to set forth certain governance and other agreements with respect to the funding of the PA LNG Phase 1 project. Pursuant to the limited liability company agreement, such company will generally be managed by a board of managers, initially constituting three representatives appointed by the indirect subsidiary of SI Partners and two representatives appointed by the ConocoPhillips affiliate.

The indirect subsidiary of SI Partners and the ConocoPhillips affiliate have made certain customary capital contribution commitments to fund their respective pro rata equity share of the total anticipated capital calls for the equity portion of the anticipated development costs of the PA LNG Phase 1 project. In addition, both SI Partners and ConocoPhillips provided guarantees relating to their respective affiliate's commitment to make its pro rata equity share of capital contributions to fund 110% of the development budget of the PA LNG Phase 1 project, in an aggregate amount of up to $9.0 billion. SI Partners' guarantee covers 70% of this amount plus enforcement costs of its guarantee.

Sale of NCI to ADIA. In June 2022, Sempra and ADIA consummated the transaction contemplated under a purchase and sale agreement dated December 21, 2021 (the ADIA Purchase Agreement). Pursuant to the ADIA Purchase Agreement, ADIA acquired Class A Units representing a 10% NCI in SI Partners for a purchase price of $1.7 billion. Following the closing of the transaction, Sempra, KKR Pinnacle and ADIA directly or indirectly own 70%, 20%, and 10%, respectively, of the outstanding Class A Units of SI Partners, which excludes the non-voting Sole Risk Interests held only by Sempra. As a result of this sale to ADIA, we recorded a $709 million increase in equity held by NCI and an increase in Sempra's shareholders' equity of $710 million, net of $12 million in transaction costs and $300 million in tax impacts. Transaction costs include $10 million paid to ADIA for reimbursement of certain expenses that ADIA incurred in connection with closing the transaction.

Contributions from NCI. In October 2021, KKR Pinnacle acquired a 20% NCI in SI Partners. Under the limited partnership agreement that governs our and KKR Pinnacle's respective rights and obligations in respect of our and their ownership interests in SI Partners, KKR Pinnacle is entitled to a $200 million credit from Sempra to be applied to capital calls once an LNG project reaches a positive final investment decision and meets certain projected internal rates of return. In the three months and six months ended June 30, 2023, KKR Pinnacle used $186 million of this credit to fund its share of contributions to SI Partners. As a result, we recorded a $186 million increase in equity held by NCI and a decrease in Sempra's shareholders' equity of $134 million, net of deferred income taxes. We expect that KKR Pinnacle will fully utilize the remaining balance of this credit in the third quarter of 2023.

TRANSACTIONS WITH AFFILIATES

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

AMOUNTS DUE FROM (TO) UNCONSOLIDATED AFFILIATES
(Dollars in millions)

	June 30, 2023	December 31, 2022
Sempra:		
Tax sharing arrangement with Oncor Holdings	$ 15	$ 41
Various affiliates	11	13
Total due from unconsolidated affiliates – current	$ 26	$ 54
Sempra Infrastructure[1]:		
TAG Pipelines Norte, S. de R.L. de C.V. – 5.5% Note due January 9, 2024	$ (5)	$ —
Total due to unconsolidated affiliates – current	$ (5)	$ —
Sempra Infrastructure[1]:		
TAG Pipelines Norte, S. de R.L. de C.V.:		
5.5% Note due January 9, 2024	$ —	$ (40)
5.5% Note due January 14, 2025	(23)	(23)
5.5% Note due July 16, 2025	(22)	(21)
5.5% Note due January 14, 2026	(19)	(19)
5.5% Note due July 14, 2026	(11)	(11)
5.5% Note due January 19, 2027	(14)	—
TAG – 5.74% Note due December 17, 2029	(193)	(187)
Total due to unconsolidated affiliates – noncurrent	$ (282)	$ (301)
SDG&E:		
Various affiliates	$ 1	$ —
Total due from unconsolidated affiliates – current	$ 1	$ —
Sempra	$ (29)	$ (49)
SoCalGas	—	(72)
Various affiliates	(14)	(14)
Total due to unconsolidated affiliates – current	$ (43)	$ (135)
Income taxes due (to) from Sempra[2]	$ (32)	$ 10
SoCalGas:		
SDG&E	$ —	$ 72
Various affiliates	1	5
Total due from unconsolidated affiliates – current	$ 1	$ 77
Sempra	$ (36)	$ (36)
Total due to unconsolidated affiliates – current	$ (36)	$ (36)
Income taxes due to Sempra[2]	$ (11)	$ (16)

(1) U.S. dollar-denominated loans at fixed interest rates. Amounts include principal balances plus accumulated interest outstanding.
(2) SDG&E and SoCalGas are included in the consolidated income tax return of Sempra, and their respective income tax expense is computed as an amount equal to that which would result from each company having always filed a separate return. Amounts include current and noncurrent income taxes due to/from Sempra.

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The following table summarizes income statement information from unconsolidated affiliates.

INCOME STATEMENT IMPACT FROM UNCONSOLIDATED AFFILIATES
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sempra:				
Revenues	$ 11	$ 15	$ 24	$ 22
Interest income	—	4	—	14
Interest expense	4	4	8	8
SDG&E:				
Revenues	$ 6	$ 4	$ 10	$ 8
Cost of sales	27	26	57	50
SoCalGas:				
Revenues	$ 28	$ 23	$ 62	$ 49
Cost of sales(1)	4	(4)	35	(4)

(1) *Includes net commodity costs from natural gas transactions with unconsolidated affiliates.*

Guarantees

Sempra provided guarantees related to Cameron LNG JV's SDSRA and CFIN's Support Agreement, which remain outstanding. We discuss these guarantees in Note 5 below and in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

OTHER INCOME (EXPENSE), NET

Other Income (Expense), Net, consists of the following:

OTHER INCOME (EXPENSE), NET
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sempra:				
Allowance for equity funds used during construction	$ 37	$ 34	$ 70	$ 69
Investment gains (losses), net(1)	5	(34)	17	(47)
(Losses) gains on interest rate and foreign exchange instruments, net	(1)	(1)	4	5
Foreign currency transaction gains (losses), net(2)	3	(3)	4	(22)
Non-service components of net periodic benefit cost	(26)	(9)	(51)	32
Interest on regulatory balancing accounts, net	19	4	37	5
Sundry, net	(6)	8	(9)	(5)
Total	$ 31	$ (1)	$ 72	$ 37
SDG&E:				
Allowance for equity funds used during construction	$ 23	$ 21	$ 46	$ 42
Non-service components of net periodic benefit cost	(5)	(2)	(9)	9
Interest on regulatory balancing accounts, net	11	3	21	4
Sundry, net	(7)	—	(8)	1
Total	$ 22	$ 22	$ 50	$ 56
SoCalGas:				
Allowance for equity funds used during construction	$ 14	$ 13	$ 24	$ 26
Non-service components of net periodic benefit cost	(19)	(6)	(38)	26
Interest on regulatory balancing accounts, net	8	1	16	1
Sundry, net	(2)	(4)	(9)	(15)
Total	$ 1	$ 4	$ (7)	$ 38

(1) *Represents net investment gains (losses) on dedicated assets in support of our executive retirement and deferred compensation plans. These amounts are offset by corresponding changes in compensation expense related to the plans, recorded in O&M on the Condensed Consolidated Statements of Operations.*
(2) *Includes losses of $11 in the six months ended June 30, 2022 from translation to U.S. dollars of a Mexican peso-denominated loan to IMG, which are offset by corresponding amounts included in Equity Earnings on the Condensed Consolidated Statement of Operations.*

INCOME TAXES

We provide our calculations of ETRs in the following table.

INCOME TAX EXPENSE (BENEFIT) AND EFFECTIVE INCOME TAX RATES
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sempra:				
Income tax expense	$ 175	$ 80	$ 551	$ 414
Income before income taxes and equity earnings	$ 523	$ 364	$ 1,852	$ 1,029
Equity earnings, before income tax[1]	153	159	285	302
Pretax income	$ 676	$ 523	$ 2,137	$ 1,331
Effective income tax rate	26 %	15 %	26 %	31 %
SDG&E:				
Income tax expense	$ 4	$ 42	$ 11	$ 106
Income before income taxes	$ 188	$ 218	$ 453	$ 516
Effective income tax rate	2 %	19 %	2 %	21 %
SoCalGas:				
Income tax (benefit) expense	$ (21)	$ 19	$ 73	$ 103
Income before income taxes	$ 135	$ 107	$ 589	$ 525
Effective income tax rate	(16)%	18 %	12 %	20 %

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

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

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

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

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

Under the IRA, beginning in 2023, the scope of projects eligible for investment tax credits was expanded to include standalone energy storage projects. The IRA also provided an election that prospectively permits investment tax credits related to standalone energy storage projects to be returned to utility customers over a period that is shorter than the life of the applicable asset. Under this election, SDG&E recorded a regulatory liability to offset these investment tax credits, which reduced SDG&E's and Sempra's ETR in 2023.

On April 14, 2023, the IRS issued Revenue Procedure 2023-15, which provides a safe harbor method of accounting for gas repairs expenditures. As a result of this Revenue Procedure, SoCalGas updated its assessment of prior years' unrecognized income tax benefits and, in the three months and six months ended June 30, 2023, recorded an income tax benefit of $43 million for previously unrecognized income tax benefits pertaining to gas repairs expenditures. SoCalGas recorded an associated regulatory liability for the portion that will benefit customers in the future. We are assessing the potential future impacts of this Revenue Procedure.

In the six months ended June 30, 2022, we recognized income tax expense of $120 million for a deferred income tax liability related to outside basis differences in our foreign subsidiaries that we had previously considered to be indefinitely reinvested.

NOTE 2. NEW ACCOUNTING STANDARDS

There are no recent accounting pronouncements that have had or may have a significant effect on our results of operations, financial condition, cash flows or disclosures.

NOTE 3. REVENUES

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

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

DISAGGREGATED REVENUES
(Dollars in millions)

	SDG&E	SoCalGas	Sempra Infrastructure	Consolidating adjustments and Parent and other	Sempra
	Three months ended June 30, 2023				
By major service line:					
Utilities	$ 1,400	$ 1,291	$ 19	$ (34)	$ 2,676
Energy-related businesses	—	—	235	(19)	216
Revenues from contracts with customers	$ 1,400	$ 1,291	$ 254	$ (53)	$ 2,892
By market:					
Gas	$ 252	$ 1,291	$ 167	$ (30)	$ 1,680
Electric	1,148	—	87	(23)	1,212
Revenues from contracts with customers	$ 1,400	$ 1,291	$ 254	$ (53)	$ 2,892
Revenues from contracts with customers	$ 1,400	$ 1,291	$ 254	$ (53)	$ 2,892
Utilities regulatory revenues	(138)	176	—	—	38
Other revenues	—	—	406	(1)	405
Total revenues	$ 1,262	$ 1,467	$ 660	$ (54)	$ 3,335
	Six months ended June 30, 2023				
By major service line:					
Utilities	$ 3,165	$ 5,132	$ 49	$ (72)	$ 8,274
Energy-related businesses	—	—	547	(40)	507
Revenues from contracts with customers	$ 3,165	$ 5,132	$ 596	$ (112)	$ 8,781
By market:					
Gas	$ 806	$ 5,132	$ 371	$ (65)	$ 6,244
Electric	2,359	—	225	(47)	2,537
Revenues from contracts with customers	$ 3,165	$ 5,132	$ 596	$ (112)	$ 8,781
Revenues from contracts with customers	$ 3,165	$ 5,132	$ 596	$ (112)	$ 8,781
Utilities regulatory revenues	(250)	129	—	—	(121)
Other revenues	—	—	1,260	(25)	1,235
Total revenues	$ 2,915	$ 5,261	$ 1,856	$ (137)	$ 9,895

DISAGGREGATED REVENUES (CONTINUED)
(Dollars in millions)

	SDG&E	SoCalGas	Sempra Infrastructure	Consolidating adjustments and Parent and other	Sempra
	Three months ended June 30, 2022				
By major service line:					
Utilities	$ 1,250	$ 1,347	$ 20	$ (27)	$ 2,590
Energy-related businesses	—	—	457	(14)	443
Revenues from contracts with customers	$ 1,250	$ 1,347	$ 477	$ (41)	$ 3,033
By market:					
Gas	$ 159	$ 1,347	$ 340	$ (19)	$ 1,827
Electric	1,091	—	137	(22)	1,206
Revenues from contracts with customers	$ 1,250	$ 1,347	$ 477	$ (41)	$ 3,033
Revenues from contracts with customers	$ 1,250	$ 1,347	$ 477	$ (41)	$ 3,033
Utilities regulatory revenues	149	154	—	—	303
Other revenues	—	—	212	(1)	211
Total revenues	$ 1,399	$ 1,501	$ 689	$ (42)	$ 3,547
	Six months ended June 30, 2022				
By major service line:					
Utilities	$ 2,751	$ 3,259	$ 48	$ (56)	$ 6,002
Energy-related businesses	—	—	749	(29)	720
Revenues from contracts with customers	$ 2,751	$ 3,259	$ 797	$ (85)	$ 6,722
By market:					
Gas	$ 489	$ 3,259	$ 569	$ (45)	$ 4,272
Electric	2,262	—	228	(40)	2,450
Revenues from contracts with customers	$ 2,751	$ 3,259	$ 797	$ (85)	$ 6,722
Revenues from contracts with customers	$ 2,751	$ 3,259	$ 797	$ (85)	$ 6,722
Utilities regulatory revenues	93	235	—	—	328
Other revenues	—	—	316	1	317
Total revenues	$ 2,844	$ 3,494	$ 1,113	$ (84)	$ 7,367

REVENUES FROM CONTRACTS WITH CUSTOMERS

Remaining Performance Obligations

For contracts greater than one year, at June 30, 2023, we expect to recognize revenue related to the fixed fee component of the consideration as shown below. Sempra's remaining performance obligations primarily relate to capacity agreements for natural gas storage and transportation at Sempra Infrastructure and transmission line projects at SDG&E. SoCalGas did not have any remaining performance obligations at June 30, 2023.

REMAINING PERFORMANCE OBLIGATIONS[(1)]
(Dollars in millions)

	Sempra	SDG&E
2023 (excluding first six months of 2023)	$ 175	$ 2
2024	300	4
2025	338	4
2026	365	4
2027	365	4
Thereafter	4,077	59
Total revenues to be recognized	$ 5,620	$ 77

(1) *Excludes intercompany transactions.*

Contract Liabilities from Revenues from Contracts with Customers

Activities within Sempra's and SDG&E's contract liabilities are presented below. There were no contract liabilities at SoCalGas in the six months ended June 30, 2023 or 2022. As we discuss in Note 16 of the Notes to Consolidated Financial Statements in the Annual Report, Sempra Infrastructure drew against and fully exhausted SEFE's letters of credit in April 2022 due to SEFE's non-renewal of such letters of credit as required under its LNG storage and regasification agreement. Sempra Infrastructure recorded a contract liability for the funds drawn from the letters of credit as payments received in advance.

CONTRACT LIABILITIES *(Dollars in millions)*		
	2023	2022
Sempra:		
Contract liabilities at January 1	$ (252)	$ (278)
Revenue from performance obligations satisfied during reporting period	5	86
Payments received in advance	(2)	(105)
Contract liabilities at June 30[1]	$ (249)	$ (297)
SDG&E:		
Contract liabilities at January 1	$ (79)	$ (83)
Revenue from performance obligations satisfied during reporting period	2	2
Contract liabilities at June 30[2]	$ (77)	$ (81)

[1] *Balances at June 30, 2023 include $6 in Other Current Liabilities and $243 in Deferred Credits and Other.*

[2] *Balances at June 30, 2023 include $4 in Other Current Liabilities and $73 in Deferred Credits and Other.*

Receivables from Revenues from Contracts with Customers

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

RECEIVABLES FROM REVENUES FROM CONTRACTS WITH CUSTOMERS *(Dollars in millions)*		
	June 30, 2023	December 31, 2022
Sempra:		
Accounts receivable – trade, net[1]	$ 1,828	$ 2,291
Accounts receivable – other, net	14	25
Due from unconsolidated affiliates – current[2]	7	9
Other long-term assets[3]	3	9
Total	$ 1,852	$ 2,334
SDG&E:		
Accounts receivable – trade, net[1]	$ 813	$ 799
Accounts receivable – other, net	10	12
Due from unconsolidated affiliates – current[2]	6	2
Other long-term assets[3]	2	6
Total	$ 831	$ 819
SoCalGas:		
Accounts receivable – trade, net	$ 856	$ 1,295
Accounts receivable – other, net	4	13
Other long-term assets[3]	1	3
Total	$ 861	$ 1,311

[1] *At June 30, 2023 and December 31, 2022, includes $123 and $72, respectively, of receivables due from customers that were billed on behalf of CCAs, which are not included in revenues.*

[2] *Amount is presented net of amounts due to unconsolidated affiliates on the Condensed Consolidated Balance Sheets, when right of offset exists.*

[3] *In connection with the COVID-19 pandemic and at the direction of the CPUC, SDG&E and SoCalGas enrolled residential and small business customers with past-due balances in long-term repayment plans.*

NOTE 4. REGULATORY MATTERS

We discuss regulatory matters in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report and provide updates to those discussions and information about new regulatory matters below. With the exception of regulatory balancing accounts, we generally do not earn a return on our regulatory assets until such time as a related cash expenditure has been made. Upon the occurrence of a cash expenditure associated with a regulatory asset, the related amounts are recoverable through a regulatory account mechanism for which we earn a return authorized by applicable regulators, which generally approximates the three-month commercial paper rate. The periods during which we recognize a regulatory asset while we do not earn a return vary by regulatory asset.

REGULATORY ASSETS (LIABILITIES)
(Dollars in millions)

	June 30, 2023	December 31, 2022
SDG&E:		
Fixed-price contracts and other derivatives	$ 8	$ (110)
Deferred income taxes recoverable in rates	429	296
Pension and PBOP plan obligations	3	11
Removal obligations	(2,371)	(2,248)
Environmental costs	106	107
Sunrise Powerlink fire mitigation	121	123
Regulatory balancing accounts[1][2]:		
Commodity – electric	181	220
Gas transportation	7	60
Safety and reliability	158	107
Public purpose programs	(109)	(69)
Wildfire mitigation plan	519	375
Liability insurance premium	102	99
Other balancing accounts	(342)	(50)
Other regulatory assets, net[2]	153	137
Total SDG&E	(1,035)	(942)
SoCalGas:		
Deferred income taxes recoverable in rates	241	161
Pension and PBOP plan obligations	(232)	(170)
Employee benefit costs	24	24
Removal obligations	(591)	(616)
Environmental costs	37	38
Regulatory balancing accounts[1][2]:		
Commodity – gas, including transportation	(362)	(257)
Safety and reliability	644	575
Public purpose programs	(152)	(158)
Liability insurance premium	22	23
Other balancing accounts	288	115
Other regulatory assets, net[2]	280	223
Total SoCalGas	199	(42)
Sempra Infrastructure:		
Deferred income taxes recoverable in rates	78	78
Other regulatory assets	5	—
Total Sempra Infrastructure	83	78
Total Sempra	$ (753)	$ (906)

(1) *At June 30, 2023 and December 31, 2022, the noncurrent portion of regulatory balancing accounts – net undercollected for SDG&E was $748 and $562, respectively, and for SoCalGas was $859 and $692, respectively.*
(2) *Includes regulatory assets earning a return authorized by applicable regulators, which generally approximates the three-month commercial paper rate.*

SEMPRA CALIFORNIA

CPUC GRC

The CPUC uses GRCs to set revenues to allow SDG&E and SoCalGas to recover their reasonable operating costs and to provide the opportunity to realize their authorized rates of return on their investments.

In May 2022, SDG&E and SoCalGas filed their 2024 GRC applications requesting CPUC approval of test year revenue requirements for 2024 and attrition year adjustments for 2025 through 2027. SDG&E and SoCalGas requested revenue requirements for 2024 of $3.0 billion and $4.4 billion, respectively. SDG&E and SoCalGas proposed post-test year revenue requirement changes using various mechanisms that are estimated to result in annual increases of approximately 8% to 11% at SDG&E and approximately 6% to 8% at SoCalGas. Intervening parties have proposed various adjustments to SDG&E's and SoCalGas' revenue requirement requests. In October 2022, the CPUC issued a scoping ruling that set a schedule for the proceeding, including the expected issuance of a proposed decision in the second quarter of 2024. The CPUC has authorized SDG&E and SoCalGas to recognize the effects of the GRC final decision retroactive to January 1, 2024. SDG&E expects to submit separate requests in its GRC for review and recovery of its wildfire mitigation plan costs in the second half of 2023 for costs incurred from 2019 through 2022 and in mid-2024 for costs incurred in 2023. The results of the GRC may materially and adversely differ from what is contained in the GRC applications.

CPUC Cost of Capital

The CPUC approved the following cost of capital for SDG&E and SoCalGas that became effective on January 1, 2023 and will remain in effect through December 31, 2025, subject to the CCM. The CPUC will open a second phase of this cost of capital proceeding to evaluate the CCM.

CPUC AUTHORIZED COST OF CAPITAL FOR 2023 – 2025

SDG&E				SoCalGas		
Authorized weighting	Return on rate base	Weighted return on rate base[(1)]		Authorized weighting	Return on rate base	Weighted return on rate base
45.25 %	4.05 %	1.83 %	**Long-Term Debt**	45.60 %	4.07 %	1.86 %
2.75	6.22	0.17	**Preferred Equity**	2.40	6.00	0.14
52.00	9.95	5.17	**Common Equity**	52.00	9.80	5.10
100.00 %		**7.18 %**		**100.00 %**		**7.10 %**

(1) *Total weighted return on rate base does not sum due to rounding differences.*

SDG&E

FERC Rate Matters

SDG&E files separately with the FERC for its authorized ROE on FERC-regulated electric transmission operations and assets. SDG&E's currently effective TO5 settlement provides for a ROE of 10.60%, consisting of a base ROE of 10.10% plus an additional 50 bps for participation in the California ISO (the California ISO adder). If the FERC issues an order ruling that California IOUs are no longer eligible for the California ISO adder, SDG&E would refund the California ISO adder as of the refund effective date (June 1, 2019) if such a refund is determined to be required by the terms of the TO5 settlement. The TO5 term is effective June 1, 2019 and shall remain in effect until terminated by a notice provided at least six months before the end of the calendar year. Following such notice, SDG&E would file an updated rate request with an effective date of January 1 of the following year.

NOTE 5. INVESTMENTS IN UNCONSOLIDATED ENTITIES

We generally account for investments under the equity method when we have significant influence over, but do not have control of, these entities. Equity earnings and losses, both before and net of income tax, are combined and presented as Equity Earnings on the Condensed Consolidated Statements of Operations. See Note 11 for information on equity earnings and losses, both before and net of income tax, by segment. See Note 1 for information on how equity earnings and losses before income taxes are factored into the calculations of our pretax income or loss and ETR.

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

SEMPRA TEXAS UTILITIES

Oncor Holdings

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

In the six months ended June 30, 2023 and 2022, Sempra contributed $178 million and $171 million, respectively, to Oncor Holdings, and Oncor Holdings distributed $204 million and $170 million, respectively, to Sempra.

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

SUMMARIZED FINANCIAL INFORMATION – ONCOR HOLDINGS
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Operating revenues	$ 1,343	$ 1,293	$ 2,635	$ 2,542
Operating expenses	(976)	(908)	(2,000)	(1,805)
Income from operations	367	385	635	737
Interest expense	(133)	(108)	(256)	(216)
Income tax expense	(43)	(52)	(67)	(94)
Net income	197	226	296	417
Noncontrolling interest held by Texas Transmission Investment LLC	(40)	(46)	(60)	(84)
Earnings attributable to Sempra[1]	157	180	236	333

[1] Excludes adjustments to equity earnings related to amortization of a tax sharing liability associated with a tax sharing arrangement and changes in basis differences in AOCI within the carrying value of our equity method investment.

SEMPRA INFRASTRUCTURE

Cameron LNG JV

In the six months ended June 30, 2023 and 2022, Sempra Infrastructure contributed $6 million and $10 million, respectively, to Cameron LNG JV, and Cameron LNG JV distributed $198 million and $233 million, respectively, to Sempra Infrastructure.

Sempra Promissory Note for SDSRA Distribution

Cameron LNG JV's debt agreements require Cameron LNG JV to maintain the SDSRA, which is an additional reserve account beyond the Senior Debt Service Accrual Account, where funds accumulate from operations to satisfy senior debt obligations due and payable on the next payment date. Both accounts can be funded with cash or authorized investments. In June 2021, Sempra Infrastructure received a distribution of $165 million based on its proportionate share of the SDSRA, for which Sempra provided a promissory note and letters of credit to secure a proportionate share of Cameron LNG JV's obligation to fund the SDSRA. Sempra's maximum exposure to loss is replenishment of the amount withdrawn by Sempra Infrastructure from the SDSRA, or $165 million. We recorded a guarantee liability of $22 million in June 2021, with an associated carrying value of $20 million at June 30, 2023, for the fair value of the promissory note, which is being reduced over the duration of the guarantee through Sempra Infrastructure's investment in Cameron LNG JV. The guarantee will terminate upon full repayment of Cameron LNG JV's debt, scheduled to occur in 2039, or replenishment of the amount withdrawn by Sempra Infrastructure from the SDSRA.

Sempra Support Agreement for CFIN

In July 2020, CFIN entered into a financing arrangement with Cameron LNG JV's four project owners and received aggregate proceeds of $1.5 billion from two project owners and from external lenders on behalf of the other two project owners (collectively, the affiliate loans), based on their proportionate ownership interest in Cameron LNG JV. CFIN used the proceeds from the affiliate loans to provide a loan to Cameron LNG JV. The affiliate loans mature in 2039. Principal and interest will be paid from Cameron LNG JV's project cash flows from its three-train natural gas liquefaction facility. Cameron LNG JV used the proceeds from its loan to return equity to its project owners. Sempra used its $753 million share of the proceeds for working capital and other general corporate purposes, including the repayment of indebtedness.

Sempra Infrastructure's $753 million proportionate share of the affiliate loans, based on SI Partners' 50.2% ownership interest in Cameron LNG JV, was funded by external lenders comprised of a syndicate of eight banks (the bank debt) to whom Sempra has provided a guarantee pursuant to a Support Agreement under which:

- Sempra has severally guaranteed repayment of the bank debt plus accrued and unpaid interest if CFIN fails to pay the external lenders;
- the external lenders may exercise an option to put the bank debt to Sempra Infrastructure upon the occurrence of certain events, including a failure by CFIN to meet its payment obligations under the bank debt;
- the external lenders will put some or all of the bank debt to Sempra Infrastructure on the fifth, tenth, or fifteenth anniversary date of the affiliate loans, except the portion of the debt owed to any external lender that has elected not to participate in the put option six months prior to the respective anniversary date;
- Sempra Infrastructure also has a right to call the bank debt back from, or to refinance the bank debt with, the external lenders at any time; and
- the Support Agreement will terminate upon full repayment of the bank debt, including repayment following an event in which the bank debt is put to Sempra Infrastructure.

In exchange for this guarantee, the external lenders pay a guarantee fee that is based on the credit rating of Sempra's long-term senior unsecured non-credit enhanced debt rating, which guarantee fee Sempra Infrastructure recognizes as interest income as earned. Sempra's maximum exposure to loss is the bank debt plus any accrued and unpaid interest and related fees, subject to a liability cap of 130% of the bank debt, or $979 million. We measure the Support Agreement at fair value, net of related guarantee fees, on a recurring basis (see Note 8). At June 30, 2023, the fair value of the Support Agreement was $23 million, of which $7 million is included in Other Current Assets and $16 million is included in Other Long-Term Assets on Sempra's Condensed Consolidated Balance Sheet.

TAG

In the six months ended June 30, 2023 and 2022, TAG distributed $36 million and $32 million, respectively, to Sempra Infrastructure.

NOTE 6. DEBT AND CREDIT FACILITIES

The principal terms of our debt arrangements are described below and in Note 7 of the Notes to Consolidated Financial Statements in the Annual Report.

SHORT-TERM DEBT

Committed Lines of Credit

At June 30, 2023, Sempra had an aggregate capacity of $9.9 billion under eight primary committed lines of credit, which provide liquidity and support commercial paper programs. Because our commercial paper programs are supported by some of these lines of credit, we reflect the amount of commercial paper outstanding, before reductions of any unamortized discounts, and any letters of credit outstanding as a reduction to the available unused credit capacity in the following table.

COMMITTED LINES OF CREDIT
(Dollars in millions)

		June 30, 2023				
Borrower	Expiration date of facility	Total facility	Commercial paper outstanding	Amounts outstanding	Letters of credit outstanding	Available unused credit
Sempra	October 2027	$ 4,000	$ (813)	$ —	$ —	$ 3,187
SDG&E	October 2027	1,500	—	—	—	1,500
SoCalGas	October 2027	1,200	(238)	—	—	962
SI Partners	November 2024	1,000	—	—	—	1,000
IEnova and SI Partners	September 2023	350	—	(350)	—	—
IEnova and SI Partners	December 2023	150	—	—	—	150
IEnova and SI Partners	February 2024	1,500	—	(1,086)	—	414
Port Arthur LNG	March 2030	200	—	—	(15)	185
Total		$ 9,900	$ (1,051)	$ (1,436)	$ (15)	$ 7,398

Sempra, SDG&E and SoCalGas each must maintain a ratio of indebtedness to total capitalization (as defined in each of the applicable credit facilities) of no more than 65% at the end of each quarter. At June 30, 2023, each entity was in compliance with this ratio under its respective credit facility.

SI Partners must maintain a ratio of consolidated adjusted net indebtedness to consolidated earnings before interest, taxes, depreciation and amortization (as defined in its credit facilities) of no more than 5.25 to 1.00 at the end of each quarter. At June 30, 2023, SI Partners was in compliance with this ratio.

In March 2023, Port Arthur LNG entered into a seven-year initial working capital facility agreement with a syndicate of lenders expiring in March 2030. The credit facility permits borrowings of up to $200 million, which bear interest by reference to Term SOFR, plus the applicable margin and a credit adjustment spread. The credit facility also provides for the issuance of up to $200 million of letters of credit.

Uncommitted Line of Credit

ECA LNG Phase 1 has an uncommitted line of credit, which is generally used for working capital requirements, with an aggregate capacity of $200 million of which $32 million was outstanding at June 30, 2023. The amounts outstanding are before reductions of any unamortized discounts. Borrowings can be in U.S. dollars or Mexican pesos. At June 30, 2023, outstanding amounts were borrowed in Mexican pesos and bear interest at a variable rate based on the 28-day Interbank Equilibrium Interest Rate plus 105 bps. In June 2023, the facility was amended to extend the expiration date to August 2024 and replace the LIBOR reference rate plus 105 bps with the SOFR reference rate plus 115 bps. As such, borrowings made in U.S. dollars bear interest at a variable rate based on the 1-month or 3-month SOFR plus 115 bps.

Uncommitted Letters of Credit

Outside of our domestic and foreign credit facilities, we have bilateral unsecured standby letter of credit capacity with select lenders that is uncommitted and supported by reimbursement agreements. At June 30, 2023, we had $514 million in standby letters of credit outstanding under these agreements.

UNCOMMITTED LETTERS OF CREDIT
(Dollars in millions)

		June 30, 2023
	Expiration date range	Uncommitted letters of credit outstanding
SDG&E	January 2024 - May 2024	$ 15
SoCalGas	November 2023 - October 2024	20
Sempra Infrastructure	July 2023 - October 2043	311
Parent and other	September 2023 - June 2024	168
Total		$ 514

Term Loan

In July 2022, SoCalGas entered into an $800 million, 364-day term loan agreement with a maturity date of July 6, 2023. In August 2022, SoCalGas borrowed $800 million, net of negligible debt issuance costs, under the term loan agreement. The borrowing bore interest at benchmark rates plus 70 bps and was due in full upon maturity. SoCalGas used the proceeds for payment of a portion of the costs relating to litigation pertaining to the Leak. In the second quarter of 2023, SoCalGas repaid the term loan in full.

Weighted-Average Interest Rates

The weighted-average interest rates on all short-term debt were as follows:

WEIGHTED-AVERAGE INTEREST RATES		
	June 30, 2023	December 31, 2022
Sempra	5.92 %	5.57 %
SDG&E	—	4.76
SoCalGas	5.14	4.71

LONG-TERM DEBT

SDG&E

In March 2023, SDG&E issued $800 million aggregate principal amount of 5.35% first mortgage bonds due in full upon maturity on April 1, 2053 and received proceeds of $783 million (net of debt discount, underwriting discounts and debt issuance costs of $17 million). The first mortgage bonds are redeemable prior to maturity, subject to their terms, and in certain circumstances subject to make-whole provisions. SDG&E used the net proceeds for general corporate purposes, including repayment of commercial paper and other indebtedness.

SoCalGas

In May 2023, SoCalGas issued $500 million aggregate principal amount of 5.20% first mortgage bonds due in full upon maturity on June 1, 2033 and received proceeds of $495 million (net of debt discount, underwriting discounts and debt issuance costs of $5 million), and $500 million aggregate principal amount of 5.75% first mortgage bonds due in full upon maturity on June 1, 2053 and received proceeds of $493 million (net of debt discount, underwriting discounts and debt issuance costs of $7 million). Each series of first mortgage bonds is redeemable prior to maturity, subject to its terms, and in certain circumstances subject to make-whole provisions. SoCalGas used the net proceeds to repay its $300 million senior unsecured floating rate notes prior to their September 2023 scheduled maturity, a portion of its $800 million term loan and other general corporate purposes.

Sempra

In June 2023, Sempra issued $550 million aggregate principal amount of 5.40% senior unsecured notes due in full upon maturity on August 1, 2026 and received proceeds of $545 million (net of debt discount, underwriting discounts and debt issuance costs of $5 million), and $700 million aggregate principal amount of 5.50% senior unsecured notes due in full upon maturity on August 1, 2033 and received proceeds of $692 million (net of debt discount, underwriting discounts and debt issuance costs of $8 million). Each series of notes is redeemable prior to maturity, subject to its terms, and in certain circumstances subject to make-whole provisions. We intend to use the net proceeds for general corporate purposes, including repayment of commercial paper and potentially other indebtedness.

Sempra Infrastructure

ECA LNG Phase 1

ECA LNG Phase 1 has a five-year loan agreement with a syndicate of seven external lenders that matures in December 2025 for an aggregate principal amount of up to $1.3 billion. IEnova and TotalEnergies SE have provided guarantees for repayment of the loans plus accrued and unpaid interest of 83.4% and 16.6%, respectively. At June 30, 2023 and December 31, 2022, $708 million and $575 million, respectively, of borrowings from external lenders were outstanding under the loan agreement, with a weighted-average interest rate of 8.20% and 7.54%, respectively.

Port Arthur LNG

In March 2023, Port Arthur LNG entered into a term loan facility agreement with a syndicate of lenders for an aggregate principal amount of approximately $6.8 billion. Proceeds from the loans will be used to finance the cost of construction of the PA LNG Phase 1 project. The loans mature on March 20, 2030 and bear interest by reference to Term SOFR, plus the applicable margin and a credit adjustment spread. The applicable margin prior to completion of the PA LNG Phase 1 project (which occurs upon the satisfaction or waiver of a series of customary operational, technical, environmental and social and other tests and conditions that generally would not be fully met until after the commercial operations date) is 2.00% and on completion and thereafter is 2.25%. The principal amounts outstanding on the loans must be repaid in quarterly installments, commencing on the earlier of (i) the first quarterly payment date occurring more than three calendar months following completion of the PA LNG Phase 1 project and (ii) April 20, 2029. Under the terms of the loan agreement, at least 60% of the projected outstanding balance is required to be hedged during construction and over the underlying 20-year notional amortization period. As we discuss in Note 7, Port Arthur LNG entered into hedging instruments in satisfaction of this requirement in March 2023. An upfront equity funding amount of $4.7 billion is required to have been contributed to Port Arthur LNG for construction costs as a condition to the initial advance of term loans under the agreement (other than advances for fees, interest, expenses and certain other specified costs). Port Arthur LNG paid $200 million in debt issuance costs at closing. Additionally, the loan agreement and the related working capital facility agreement that we discuss above require payment of commitment fees calculated at a rate per annum equal to 30% of the applicable margin for Term SOFR loans multiplied by the outstanding debt commitments, and additional administrative fees. At June 30, 2023, $228 million of borrowings were outstanding under the loan agreement, with an all-in weighted-average interest rate of 5.58%.

In connection with this loan agreement, SI Partners and ConocoPhillips have collectively provided commitments for approximately $2.8 billion in equity funding for the benefit of Port Arthur LNG for their respective affiliate’s share of the equity funding of anticipated construction costs of the PA LNG Phase 1 project in excess of the upfront equity funding amount of $4.7 billion. The amount of each commitment is based on each of SI Partners’ and ConocoPhillips’ proportionate indirect ownership interest in Port Arthur LNG of 70% and 30%, respectively. The obligation under these guarantees will be reduced as their respective affiliates fund their direct proportionate interest of capital calls. Such equity funding can be called upon by Port Arthur LNG to fund project costs or, upon the taking of an enforcement action under the terms of Port Arthur LNG’s finance documents, to pay its senior debt obligations.

The *pari passu* secured obligations under the related finance documents are secured by a first priority lien (subject to customary permitted encumbrances) in substantially all of the assets of Port Arthur LNG, including the equity interests in, and real property interests of, Port Arthur LNG.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

In all other cases, we record derivatives at fair value on the Condensed Consolidated Balance Sheets. We may have derivatives that are (1) cash flow hedges, (2) fair value hedges, or (3) undesignated. Depending on the applicability of hedge accounting and, for SDG&E and SoCalGas and other operations subject to regulatory accounting, the requirement to pass impacts through to customers, the impact of derivative instruments may be offset in OCI (cash flow hedges), on the balance sheet (regulatory offsets), or recognized in earnings (fair value hedges and undesignated derivatives not subject to rate recovery). We classify cash flows from the principal settlements of cross-currency swaps that hedge exposure related to Mexican peso-denominated debt and amounts related to terminations or early settlements of interest rate swaps as financing activities and settlements of other derivative instruments as operating activities on the Condensed Consolidated Statements of Cash Flows.

HEDGE ACCOUNTING

We may designate a derivative as a cash flow hedging instrument if it effectively converts anticipated cash flows associated with revenues or expenses to a fixed dollar amount. We may utilize cash flow hedge accounting for derivative commodity instruments, foreign currency instruments and interest rate instruments. Designating cash flow hedges is dependent on the business context in which the instrument is being used, the effectiveness of the instrument in offsetting the risk of variability of future cash flows of a given revenue or expense item, and other criteria.

ENERGY DERIVATIVES

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

- SDG&E and SoCalGas use natural gas derivatives and SDG&E uses electricity derivatives, for the benefit of customers, with the objective of managing price risk and basis risk, and stabilizing and lowering natural gas and electricity costs. These derivatives include fixed-price natural gas and electricity positions, options, and basis risk instruments, which are either exchange-traded or over-the-counter financial instruments, or bilateral physical transactions. This activity is governed by risk management and transacting activity plans limited by company policy. SDG&E's risk management and transacting activity plans for electricity derivatives are also required to be filed with, and have been approved by, the CPUC. SoCalGas is also subject to certain regulatory requirements and thresholds related to natural gas procurement under the GCIM. Natural gas and electricity derivative activities are recorded as commodity costs that are offset by regulatory account balances and are recovered in rates. Net commodity cost impacts on the Condensed Consolidated Statements of Operations are reflected in Cost of Natural Gas or in Cost of Electric Fuel and Purchased Power.
- SDG&E is allocated and may purchase CRRs, which serve to reduce the regional electricity price volatility risk that may result from local transmission capacity constraints. Unrealized gains and losses do not impact earnings, as they are offset by regulatory account balances. Realized gains and losses associated with CRRs, which are recoverable in rates, are recorded in Cost of Electric Fuel and Purchased Power on the Condensed Consolidated Statements of Operations.
- Sempra Infrastructure may use natural gas and electricity derivatives, as appropriate, in an effort to optimize the earnings of its assets which support the following businesses: LNG, natural gas pipelines and storage, and power generation. Gains and losses associated with undesignated derivatives are recognized in Energy-Related Businesses Revenues on the Condensed Consolidated Statements of Operations.
- From time to time, our various businesses, including SDG&E and SoCalGas, may use other derivatives to hedge exposures such as GHG allowances.

The following table summarizes net energy derivative volumes.

NET ENERGY DERIVATIVE VOLUMES
(Quantities in millions)

Commodity	Unit of measure	June 30, 2023	December 31, 2022
Sempra:			
Natural gas	MMBtu	380	254
Electricity	MWh	—	1
Congestion revenue rights	MWh	35	42
SDG&E:			
Natural gas	MMBtu	20	15
Congestion revenue rights	MWh	35	42
SoCalGas:			
Natural gas	MMBtu	271	224

INTEREST RATE DERIVATIVES

We are exposed to interest rates primarily as a result of our current and expected use of financing. SDG&E and SoCalGas, as well as Sempra and its other subsidiaries and JVs, periodically enter into interest rate derivative agreements intended to moderate our exposure to interest rates and to lower our overall costs of borrowing. In addition, we may utilize interest rate swaps, typically designated as cash flow hedges, to lock in interest rates on outstanding debt or in anticipation of future financings.

In December 2022, Sempra Infrastructure entered into an undesignated contingent interest rate swap to lock in interest rates on up to $3.5 billion of the variable rate indebtedness from anticipated future project-level debt financing that would be used to pay for construction costs of the PA LNG Phase 1 project. The contingent interest rate swap had a 25-year tenor, and its settlement was conditional upon the closing of project-level debt financing with respect to the PA LNG Phase 1 project. In March 2023, we closed on the project-level debt financing and, shortly thereafter, paid $14 million to cash settle the contingent interest rate swap.

As we discuss in Note 6, a minimum of 60% of the projected amount of term loans outstanding is required to be hedged under the Port Arthur LNG term loan facility agreement. In March 2023, Port Arthur LNG entered into floating-to-fixed interest rate swaps with 17 counterparties to hedge the variability in cash flows related to the SOFR-based component of interest payments on forecasted loans outstanding under the agreement. The notional amounts of the interest rate swaps generally increase in proportion to the forecasted borrowings up to a maximum amount of $4.2 billion prior to the maturity of the term loans on March 20, 2030. Under the interest rate swaps, which are designated as cash flow hedges, Port Arthur LNG receives interest at Term SOFR and pays interest at a fixed rate of 3.23% based on amortizing notional amounts maturing in 2048.

The following table presents the net notional amounts of our interest rate derivatives, excluding those in our equity method investments and the contingent interest rate swap.

INTEREST RATE DERIVATIVES
(Dollars in millions)

	June 30, 2023		December 31, 2022	
	Notional debt	Maturities	Notional debt	Maturities
Sempra:				
Cash flow hedges[1]	$ 4,454	2023-2048	$ 294	2023-2034

(1) At June 30, 2023 and December 31, 2022, cash flow hedges accrued interest based on a notional of $491 and $294, respectively.

FOREIGN CURRENCY DERIVATIVES

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

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

The following table presents the net notional amounts of our foreign currency derivatives, excluding those in our equity method investments.

FOREIGN CURRENCY DERIVATIVES
(Dollars in millions)

	June 30, 2023		December 31, 2022	
	Notional amount	Maturities	Notional amount	Maturities
Sempra:				
Cross-currency swaps	$ —	—	$ 306	2023
Other foreign currency derivatives	65	2023-2024	111	2023-2024

FINANCIAL STATEMENT PRESENTATION

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

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

	June 30, 2023			
	Current assets: Fixed-price contracts and other derivatives(1)	Other long-term assets	Other current liabilities	Deferred credits and other
Sempra:				
Derivatives designated as hedging instruments:				
Interest rate instruments	$ 16	$ 46	$ —	$ (2)
Foreign exchange instruments	—	—	(15)	—
Derivatives not designated as hedging instruments:				
Commodity contracts not subject to rate recovery	251	35	(236)	(42)
Associated offsetting commodity contracts	(232)	(35)	232	35
Commodity contracts subject to rate recovery	20	17	(64)	(17)
Associated offsetting commodity contracts	(12)	(4)	12	4
Associated offsetting cash collateral	—	—	10	4
Net amounts presented on the balance sheet	43	59	(61)	(18)
Additional cash collateral for commodity contracts not subject to rate recovery	143	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	70	—	—	—
Total(2)	$ 256	$ 59	$ (61)	$ (18)
SDG&E:				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	$ 18	$ 17	$ (26)	$ (8)
Associated offsetting commodity contracts	(11)	(4)	11	4
Associated offsetting cash collateral	—	—	10	4
Net amounts presented on the balance sheet	7	13	(5)	—
Additional cash collateral for commodity contracts subject to rate recovery	69	—	—	—
Total(2)	$ 76	$ 13	$ (5)	$ —
SoCalGas:				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	$ 2	$ —	$ (38)	$ (9)
Associated offsetting commodity contracts	(1)	—	1	—
Net amounts presented on the balance sheet	1	—	(37)	(9)
Additional cash collateral for commodity contracts subject to rate recovery	1	—	—	—
Total	$ 2	$ —	$ (37)	$ (9)

(1) *Included in Other Current Assets for SoCalGas.*
(2) *Normal purchase contracts previously measured at fair value are excluded.*

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

	December 31, 2022			
	Current assets: Fixed-price contracts and other derivatives(1)	Other long-term assets	Other current liabilities	Deferred credits and other
Sempra:				
Derivatives designated as hedging instruments:				
Interest rate instruments	$ 10	$ 33	$ —	$ —
Foreign exchange instruments	—	—	(7)	(1)
Interest rate and foreign exchange instruments	—	—	(105)	—
Derivatives not designated as hedging instruments:				
Commodity contracts not subject to rate recovery	480	133	(399)	(132)
Associated offsetting commodity contracts	(301)	(39)	301	39
Commodity contracts subject to rate recovery	138	27	(97)	(2)
Associated offsetting commodity contracts	(27)	(2)	27	2
Interest rate instrument	33	—	—	—
Net amounts presented on the balance sheet	333	152	(280)	(94)
Additional cash collateral for commodity contracts not subject to rate recovery	451	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	18	—	—	—
Total(2)	$ 802	$ 152	$ (280)	$ (94)
SDG&E:				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	$ 107	$ 27	$ (13)	$ (2)
Associated offsetting commodity contracts	(12)	(2)	12	2
Net amounts presented on the balance sheet	95	25	(1)	—
Additional cash collateral for commodity contracts subject to rate recovery	17	—	—	—
Total(2)	$ 112	$ 25	$ (1)	$ —
SoCalGas:				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	$ 31	$ —	$ (84)	$ —
Associated offsetting commodity contracts	(15)	—	15	—
Net amounts presented on the balance sheet	16	—	(69)	—
Additional cash collateral for commodity contracts subject to rate recovery	1	—	—	—
Total	$ 17	$ —	$ (69)	$ —

(1) *Included in Other Current Assets for SoCalGas.*
(2) *Normal purchase contracts previously measured at fair value are excluded.*

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

CASH FLOW HEDGE IMPACTS
(Dollars in millions)

	Pretax gain (loss) recognized in OCI			Pretax gain (loss) reclassified from AOCI into earnings	
	Three months ended June 30,			Three months ended June 30,	
	2023	2022	Location	2023	2022
Sempra:					
Interest rate instruments	$ 94	$ 13	Interest Expense	$ —	$ —
Interest rate instruments	41	50	Equity Earnings[1]	14	(13)
Foreign exchange instruments	(2)	—	Revenues: Energy-Related Businesses	—	1
			Other Income (Expense), Net	(1)	(1)
Foreign exchange instruments	(1)	—	Equity Earnings[1]	(1)	—
Interest rate and foreign exchange instruments	—	4	Interest Expense	1	1
Total	$ 132	$ 67		$ 13	$ (12)
SoCalGas:					
Interest rate instruments	$ —	$ —	Interest Expense	$ (1)	$ (1)

	Six months ended June 30,			Six months ended June 30,	
	2023	2022	Location	2023	2022
Sempra:					
Interest rate instruments	$ 17	$ 35	Interest Expense	$ —	$ 1
Interest rate instruments	24	144	Equity Earnings[1]	21	(27)
Foreign exchange instruments	(8)	(3)	Revenues: Energy-Related Businesses	—	2
			Other Income (Expense), Net	(2)	(1)
Foreign exchange instruments	(6)	(2)	Equity Earnings[1]	(2)	1
Interest rate and foreign exchange instruments	7	13	Interest Expense	1	1
			Other Income (Expense), Net	6	6
Total	$ 34	$ 187		$ 24	$ (17)
SoCalGas:					
Interest rate instruments	$ —	$ —	Interest Expense	$ (1)	$ (1)

[1] *Equity earnings at our foreign equity method investees are recognized after tax.*

For Sempra, we expect that net gains before NCI of $23 million, which are net of income tax expense, that are currently recorded in AOCI (with net gains of $14 million attributable to NCI) related to cash flow hedges will be reclassified into earnings during the next 12 months as the hedged items affect earnings. SoCalGas expects that $1 million of losses, net of income tax benefit, that are currently recorded in AOCI related to cash flow hedges will be reclassified into earnings during the next 12 months as the hedged items affect earnings. Actual amounts ultimately reclassified into earnings depend on the interest rates in effect when derivative contracts mature.

For all forecasted transactions, the maximum remaining term over which we are hedging exposure to the variability of cash flows at June 30, 2023 is approximately 25 years for Sempra. The maximum remaining term for which we are hedging exposure to the variability of cash flows at our equity method investees is 16 years.

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

UNDESIGNATED DERIVATIVE IMPACTS
(Dollars in millions)

		Pretax gain (loss) on derivatives recognized in earnings			
		Three months ended June 30,		Six months ended June 30,	
	Location	2023	2022	2023	2022
Sempra:					
Commodity contracts not subject to rate recovery	Revenues: Energy-Related Businesses	$ 253	$ (151)	$ 702	$ (228)
Commodity contracts subject to rate recovery	Cost of Natural Gas	(20)	(4)	(47)	(4)
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	(27)	(24)	(18)	(6)
Interest rate instrument	Interest Expense	—	—	(47)	—
Total		$ 206	$ (179)	$ 590	$ (238)
SDG&E:					
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	$ (27)	$ (24)	$ (18)	$ (6)
SoCalGas:					
Commodity contracts subject to rate recovery	Cost of Natural Gas	$ (20)	$ (4)	$ (47)	$ (4)

CREDIT RISK RELATED CONTINGENT FEATURES

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

For Sempra, the total fair value of this group of derivative instruments in a liability position at June 30, 2023 and December 31, 2022 was $50 million and $106 million, respectively. For SoCalGas, the total fair value of this group of derivative instruments in a liability position at June 30, 2023 and December 31, 2022 was $46 million and $69 million, respectively. SDG&E did not have this group of derivative instruments in a liability position at June 30, 2023 or December 31, 2022. At June 30, 2023, if the credit ratings of Sempra or SoCalGas were reduced below investment grade, $50 million and $46 million, respectively, of additional assets could be required to be posted as collateral for these derivative contracts.

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

NOTE 8. FAIR VALUE MEASUREMENTS

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

RECURRING FAIR VALUE MEASURES

The three tables below, by level within the fair value hierarchy, set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis at June 30, 2023 and December 31, 2022. We classify financial assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair-valued assets and liabilities and their placement within the fair value hierarchy. We have not changed the valuation techniques or types of inputs we use to measure recurring fair value since December 31, 2022.

The fair value of commodity derivative assets and liabilities is presented in accordance with our netting policy, as we discuss in Note 7 under “Financial Statement Presentation.”

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

Our financial assets and liabilities that were accounted for at fair value on a recurring basis in the tables below include the following:

- Nuclear decommissioning trusts reflect the assets of SDG&E’s NDT, excluding accounts receivable and accounts payable. A third-party trustee values the trust assets using prices from a pricing service based on a market approach. We validate these prices by comparison to prices from other independent data sources. Securities are valued using quoted prices listed on nationally recognized securities exchanges or based on closing prices reported in the active market in which the identical security is traded (Level 1). Other securities are valued based on yields that are currently available for comparable securities of issuers with similar credit ratings (Level 2).
- For commodity contracts, interest rate instruments and foreign exchange instruments, we primarily use a market or income approach with market participant assumptions to value these derivatives. Market participant assumptions include those about risk, and the risk inherent in the inputs to the valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable. We have exchange-traded derivatives that are valued based on quoted prices in active markets for the identical instruments (Level 1). We also may have other commodity derivatives that are valued using industry standard models that consider quoted forward prices for commodities, time value, current market and contractual prices for the underlying instruments, volatility factors, and other relevant economic measures (Level 2). Level 3 recurring items relate to CRRs and long-term, fixed-price electricity positions at SDG&E, as we discuss below in “Level 3 Information – SDG&E.”
- Rabbi Trust investments include short-term investments that consist of money market and mutual funds that we value using a market approach based on closing prices reported in the active market in which the identical security is traded (Level 1).
- As we discuss in Note 5, in July 2020, Sempra entered into a Support Agreement for the benefit of CFIN. We measure the Support Agreement, which includes a guarantee obligation, a put option and a call option, net of related guarantee fees, at fair value on a recurring basis. We use a discounted cash flow model to value the Support Agreement, net of related guarantee fees. Because some of the inputs that are significant to the valuation are less observable, the Support Agreement is classified as Level 3, as we describe below in “Level 3 Information – Sempra Infrastructure.”

RECURRING FAIR VALUE MEASURES – SEMPRA
(Dollars in millions)

	Level 1	Level 2	Level 3	Total
	Fair value at June 30, 2023			
Assets:				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	$ 22	$ 2	$ —	$ 24
Equity securities	318	4	—	322
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	25	14	—	39
Municipal bonds	—	266	—	266
Other securities	—	218	—	218
Total debt securities	25	498	—	523
Total nuclear decommissioning trusts[1]	365	504	—	869
Short-term investments held in Rabbi Trust	51	—	—	51
Interest rate instruments	—	62	—	62
Commodity contracts not subject to rate recovery	—	19	—	19
Effect of netting and allocation of collateral[2]	143	—	—	143
Commodity contracts subject to rate recovery	—	1	20	21
Effect of netting and allocation of collateral[2]	65	—	5	70
Support Agreement, net of related guarantee fees	—	—	23	23
Total	$ 624	$ 586	$ 48	$ 1,258
Liabilities:				
Interest rate instruments	$ —	$ 2	$ —	$ 2
Foreign exchange instruments	—	15	—	15
Commodity contracts not subject to rate recovery	—	11	—	11
Commodity contracts subject to rate recovery	14	51	—	65
Effect of netting and allocation of collateral[2]	(14)	—	—	(14)
Total	$ —	$ 79	$ —	$ 79

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

RECURRING FAIR VALUE MEASURES – SEMPRA (CONTINUED)
(Dollars in millions)

	Level 1	Level 2	Level 3	Total
	Fair value at December 31, 2022			
Assets:				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	$ 10	$ 1	$ —	$ 11
Equity securities	293	4	—	297
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	27	13	—	40
Municipal bonds	—	270	—	270
Other securities	—	227	—	227
Total debt securities	27	510	—	537
Total nuclear decommissioning trusts(1)	330	515	—	845
Short-term investments held in Rabbi Trust	55	—	—	55
Interest rate instruments	—	76	—	76
Commodity contracts not subject to rate recovery	—	273	—	273
Effect of netting and allocation of collateral(2)	451	—	—	451
Commodity contracts subject to rate recovery	82	19	35	136
Effect of netting and allocation of collateral(2)	12	—	6	18
Support Agreement, net of related guarantee fees	—	—	17	17
Total	$ 930	$ 883	$ 58	$ 1,871
Liabilities:				
Foreign exchange instruments	$ —	$ 8	$ —	$ 8
Interest rate and foreign exchange instruments	—	105	—	105
Commodity contracts not subject to rate recovery	—	191	—	191
Commodity contracts subject to rate recovery	—	70	—	70
Total	$ —	$ 374	$ —	$ 374

1) *Excludes receivables (payables), net.*

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

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

	Level 1	Level 2	Level 3	Total
	Fair value at June 30, 2023			
Assets:				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	$ 22	$ 2	$ —	$ 24
Equity securities	318	4	—	322
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	25	14	—	39
Municipal bonds	—	266	—	266
Other securities	—	218	—	218
Total debt securities	25	498	—	523
Total nuclear decommissioning trusts[1]	365	504	—	869
Commodity contracts subject to rate recovery	—	—	20	20
Effect of netting and allocation of collateral[2]	64	—	5	69
Total	$ 429	$ 504	$ 25	$ 958
Liabilities:				
Commodity contracts subject to rate recovery	$ 14	$ 5	$ —	$ 19
Effect of netting and allocation of collateral[2]	(14)	—	—	(14)
Total	$ —	$ 5	$ —	$ 5
	Fair value at December 31, 2022			
Assets:				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	$ 10	$ 1	$ —	$ 11
Equity securities	293	4	—	297
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	27	13	—	40
Municipal bonds	—	270	—	270
Other securities	—	227	—	227
Total debt securities	27	510	—	537
Total nuclear decommissioning trusts[1]	330	515	—	845
Commodity contracts subject to rate recovery	82	3	35	120
Effect of netting and allocation of collateral[2]	11	—	6	17
Total	$ 423	$ 518	$ 41	$ 982
Liabilities:				
Commodity contracts subject to rate recovery	$ —	$ 1	$ —	$ 1
Total	$ —	$ 1	$ —	$ 1

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

RECURRING FAIR VALUE MEASURES – SOCALGAS *(Dollars in millions)*	Level 1	Level 2	Level 3	Total
	Fair value at June 30, 2023			
Assets:				
Commodity contracts subject to rate recovery	$ —	$ 1	$ —	$ 1
Effect of netting and allocation of collateral(1)	1	—	—	1
Total	$ 1	$ 1	$ —	$ 2
Liabilities:				
Commodity contracts subject to rate recovery	$ —	$ 46	$ —	$ 46
Total	$ —	$ 46	$ —	$ 46
	Fair value at December 31, 2022			
Assets:				
Commodity contracts subject to rate recovery	$ —	$ 16	$ —	$ 16
Effect of netting and allocation of collateral(1)	1	—	—	1
Total	$ 1	$ 16	$ —	$ 17
Liabilities:				
Commodity contracts subject to rate recovery	$ —	$ 69	$ —	$ 69
Total	$ —	$ 69	$ —	$ 69

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

Level 3 Information

SDG&E

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

LEVEL 3 RECONCILIATIONS(1) *(Dollars in millions)*	Three months ended June 30,	
	2023	2022
Balance at April 1	$ 30	$ 58
Realized and unrealized losses	(4)	(30)
Allocated transmission instruments	(2)	(6)
Settlements	(4)	11
Balance at June 30	$ 20	$ 33
Change in unrealized losses relating to instruments still held at June 30	$ (7)	$ (23)
	Six months ended June 30,	
	2023	2022
Balance at January 1	$ 35	$ 54
Realized and unrealized losses	(8)	(23)
Allocated transmission instruments	(2)	(6)
Settlements	(5)	8
Balance at June 30	$ 20	$ 33
Change in unrealized losses relating to instruments still held at June 30	$ (9)	$ (18)

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

Inputs used to determine the fair value of CRRs and fixed-price electricity positions are reviewed and compared with market conditions to determine reasonableness.

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

CONGESTION REVENUE RIGHTS AUCTION PRICE INPUTS

Settlement year		Price per MWh					Median price per MWh
2023	$	(3.09)	to	$	10.71	$	(0.56)
2022		(3.67)	to		6.96		(0.70)

The impact associated with discounting is not significant. Because these auction prices are a less observable input, these instruments are classified as Level 3. The fair value of these instruments is derived from auction price differences between two locations. Positive values between two locations represent expected future reductions in congestion costs, whereas negative values between two locations represent expected future charges. Valuation of our CRRs is sensitive to a change in auction price. If auction prices at one location increase (decrease) relative to another location, this could result in a significantly higher (lower) fair value measurement. We summarize CRR volumes in Note 7.

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

LONG-TERM, FIXED-PRICE ELECTRICITY POSITIONS PRICE INPUTS

Settlement year							Weighted-average price per MWh
2023	$	22.75	to	$	117.50	$	74.02
2022		25.25	to		125.00		66.36

A significant increase (decrease) in market electricity forward prices would result in a significantly higher (lower) fair value. We summarize long-term, fixed-price electricity position volumes in Note 7.

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

Sempra Infrastructure

The table below sets forth reconciliations of changes in the fair value of Sempra's Support Agreement for the benefit of CFIN classified as Level 3 in the fair value hierarchy for Sempra.

LEVEL 3 RECONCILIATIONS
(Dollars in millions)

	Three months ended June 30,	
	2023	2022
Balance at April 1	$ 24	$ 12
Realized and unrealized gains[(1)]	1	6
Settlements	(2)	(2)
Balance at June 30[(2)]	$ 23	$ 16
Change in unrealized gains relating to instruments still held at June 30	$ 1	$ 5

	Six months ended June 30,	
	2023	2022
Balance at January 1	$ 17	$ 7
Realized and unrealized gains[(1)]	10	14
Settlements	(4)	(5)
Balance at June 30[(2)]	$ 23	$ 16
Change in unrealized gains relating to instruments still held at June 30	$ 9	$ 13

[(1)] *Net gains are included in Interest Income and net losses are included in Interest Expense on Sempra's Condensed Consolidated Statements of Operations.*
[(2)] *Includes $7 in Other Current Assets and $16 in Other Long-term Assets at June 30, 2023 on Sempra's Condensed Consolidated Balance Sheet.*

The fair value of the Support Agreement, net of related guarantee fees, is based on a discounted cash flow model using a probability of default and survival methodology. Our estimate of fair value considers inputs such as third-party default rates, credit ratings, recovery rates, and risk-adjusted discount rates, which may be readily observable, market corroborated or generally unobservable inputs. Because CFIN's credit rating and related default and survival rates are unobservable inputs that are significant to the valuation, the Support Agreement, net of related guarantee fees, is classified as Level 3. We assigned CFIN an internally developed credit rating of A3 and relied on default rate data published by Moody's to assign a probability of default. A hypothetical change in the credit rating up or down one notch could result in a significant change in the fair value of the Support Agreement.

Fair Value of Financial Instruments

The fair values of certain of our financial instruments (cash, accounts receivable, amounts due to/from unconsolidated affiliates with original maturities of less than 90 days, dividends and accounts payable, short-term debt and customer deposits) approximate their carrying amounts because of the short-term nature of these instruments. Investments in life insurance contracts that we hold in support of our Supplemental Executive Retirement, Cash Balance Restoration and Deferred Compensation Plans are carried at cash surrender values, which represent the amount of cash that could be realized under the contracts. The following table provides the carrying amounts and fair values of certain other financial instruments that are not recorded at fair value on the Condensed Consolidated Balance Sheets.

FAIR VALUE OF FINANCIAL INSTRUMENTS
(Dollars in millions)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	June 30, 2023				
Sempra:					
Long-term note receivable[1]	$ 326	$ —	$ —	$ 296	$ 296
Long-term amounts due to unconsolidated affiliates	287	—	251	—	251
Total long-term debt[2]	27,419	—	24,630	—	24,630
SDG&E:					
Total long-term debt[3]	$ 8,600	$ —	$ 7,535	$ —	$ 7,535
SoCalGas:					
Total long-term debt[4]	$ 6,759	$ —	$ 6,270	$ —	$ 6,270
	December 31, 2022				
Sempra:					
Long-term note receivable[1]	$ 318	$ —	$ —	$ 286	$ 286
Long-term amounts due to unconsolidated affiliates	301	—	263	—	263
Total long-term debt[2]	24,513	—	21,549	—	21,549
SDG&E:					
Total long-term debt[3]	$ 7,800	$ —	$ 6,726	$ —	$ 6,726
SoCalGas:					
Total long-term debt[4]	$ 6,059	$ —	$ 5,538	$ —	$ 5,538

(1) *Before allowances for credit losses of $6 and $7 at June 30, 2023 and December 31, 2022, respectively. Excludes unamortized transaction costs of $4 and $5 at June 30, 2023 and December 31, 2022, respectively.*
(2) *Before reductions of unamortized discount and debt issuance costs of $325 and $289 at June 30, 2023 and December 31, 2022, respectively, and excluding finance lease obligations of $1,351 and $1,343 at June 30, 2023 and December 31, 2022, respectively.*
(3) *Before reductions of unamortized discount and debt issuance costs of $85 and $70 at June 30, 2023 and December 31, 2022, respectively, and excluding finance lease obligations of $1,241 and $1,256 at June 30, 2023 and December 31, 2022, respectively.*
(4) *Before reductions of unamortized discount and debt issuance costs of $57 and $48 at June 30, 2023 and December 31, 2022, respectively, and excluding finance lease obligations of $110 and $87 at June 30, 2023 and December 31, 2022, respectively.*

We provide the fair values for the securities held in the NDT related to SONGS in Note 9.

NOTE 9. SAN ONOFRE NUCLEAR GENERATING STATION

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

NUCLEAR DECOMMISSIONING AND FUNDING

As a result of Edison’s decision to permanently retire SONGS Units 2 and 3, Edison began the decommissioning phase of the plant. Major decommissioning work began in 2020. We expect the majority of the decommissioning work to take approximately 10 years. Decommissioning of Unit 1, removed from service in 1992, is largely complete. The remaining work for Unit 1 will be completed once Units 2 and 3 are dismantled and the spent fuel is removed from the site. The spent fuel is currently being stored on-site, until the DOE identifies a spent fuel storage facility and puts in place a program for the fuel's disposal. SDG&E is responsible for approximately 20% of the total decommissioning cost.

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

Except for the use of funds for the planning of decommissioning activities or NDT administrative costs, CPUC approval is required for SDG&E to access the NDT assets to fund SONGS decommissioning costs for Units 2 and 3. In December 2022, the CPUC granted SDG&E authorization to access NDT funds of up to $81 million for forecasted 2023 costs.

The following table shows the fair values and gross unrealized gains and losses for the securities held in the NDT on the Sempra and SDG&E Condensed Consolidated Balance Sheets. We provide additional fair value disclosures for the NDT in Note 8.

NUCLEAR DECOMMISSIONING TRUSTS
(Dollars in millions)

	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	June 30, 2023			
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies[1]	$ 40	$ 1	$ (2)	$ 39
Municipal bonds[2]	277	1	(12)	266
Other securities[3]	234	—	(16)	218
Total debt securities	551	2	(30)	523
Equity securities	104	222	(4)	322
Short-term investments, primarily cash equivalents	24	—	—	24
Receivables (payables), net	(6)	—	—	(6)
Total	$ 673	$ 224	$ (34)	$ 863
	December 31, 2022			
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	$ 40	$ 1	$ (1)	$ 40
Municipal bonds	283	1	(14)	270
Other securities	248	—	(21)	227
Total debt securities	571	2	(36)	537
Equity securities	111	194	(8)	297
Short-term investments, primarily cash equivalents	11	—	—	11
Receivables (payables), net	(4)	—	—	(4)
Total	$ 689	$ 196	$ (44)	$ 841

(1) *Maturity dates are 2023-2053.*
(2) *Maturity dates are 2023-2062.*
(3) *Maturity dates are 2023-2072.*

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

SALES OF SECURITIES IN THE NUCLEAR DECOMMISSIONING TRUSTS
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Proceeds from sales	$ 138	$ 155	$ 294	$ 397
Gross realized gains	6	3	8	14
Gross realized losses	(3)	(7)	(6)	(11)

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

ASSET RETIREMENT OBLIGATION

The present value of SDG&E’s ARO related to decommissioning costs for all three SONGS units was $523 million at June 30, 2023 and is based on a cost study prepared in 2020 that is pending CPUC approval, which SDG&E expects to receive in 2023.

NOTE 10. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

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

At June 30, 2023, loss contingency accruals for legal matters, including associated legal fees and regulatory matters related to the Leak, that are probable and estimable were $222 million for Sempra, including $6 million for SDG&E and $142 million for SoCalGas. Amounts for Sempra and SoCalGas include $126 million for matters related to the Leak, which we discuss below.

SoCalGas

Aliso Canyon Natural Gas Storage Facility Gas Leak

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

Litigation. In September 2021, SoCalGas and Sempra entered into an agreement with counsel to resolve approximately 390 lawsuits including approximately 36,000 plaintiffs (the Individual Plaintiffs) pending against SoCalGas and Sempra related to the Leak for a payment of up to $1.8 billion. Over 99% of the Individual Plaintiffs participated and submitted valid releases, and SoCalGas paid $1.79 billion in 2022 under the agreement. The Individual Plaintiffs who have not participated in the settlement (the Remaining Individual Plaintiffs) are able to continue to pursue their claims.

The Individual Plaintiffs’ cases were coordinated before a single court in the LA Superior Court for pretrial management under a consolidated master complaint filed in November 2017. The consolidated master complaint asserts causes of action for negligence, negligence per se, private and public nuisance (continuing and permanent), trespass, inverse condemnation, strict liability, negligent and intentional infliction of emotional distress, fraudulent concealment, loss of consortium and wrongful death against SoCalGas and Sempra. The consolidated master complaint seeks compensatory and punitive damages for personal injuries, lost wages and/or lost profits, property damage and diminution in property value, injunctive relief, costs of future medical monitoring, civil penalties, and attorneys’ fees. In July 2023, the LA Superior Court issued an order to 243 Remaining Individual Plaintiffs who did not respond to discovery requests to show why their cases should not be dismissed.

In addition, as of July 31, 2023, new lawsuits on behalf of approximately 388 new plaintiffs have been filed against SoCalGas and Sempra since the September 2021 settlement. These cases are being joined in the same coordinated proceeding in the LA Superior Court under the consolidated master complaint.

Four shareholder derivative actions were filed alleging breach of fiduciary duties against certain officers and certain directors of Sempra and/or SoCalGas. Three of the four shareholder derivative actions that were filed alleging breach of fiduciary duties against certain officers and certain directors of Sempra and/or SoCalGas were joined in an Amended Consolidated Shareholder Derivative Complaint filed in the same coordinated proceeding in the LA Superior Court, which was dismissed with prejudice in January 2021, and in June 2023, the Court of Appeal affirmed the dismissal. Plaintiffs have sought review in the California Supreme Court. The LA Superior Court dismissed the remaining fourth action with prejudice in November 2022. The plaintiffs have appealed this dismissal.

Regulatory Proceedings. In February 2017, the CPUC opened a proceeding pursuant to the SB 380 OII to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility while still maintaining energy and electric reliability for the region, but excluding issues with respect to air quality, public health, causation, culpability or cost responsibility regarding the Leak. The first phase of the proceeding established a framework for the hydraulic, production cost and economic modeling assumptions for the potential reduction in usage or elimination of the Aliso Canyon natural gas storage facility, as well as evaluating the impacts of reducing or eliminating the Aliso Canyon natural gas storage facility using the established framework and models. The next phase of the proceeding included engaging a consultant to analyze alternative means for meeting or avoiding the demand for the facility's services if it were eliminated in either the 2027 or 2035 timeframe, and to address potential implementation of alternatives to the Aliso Canyon natural gas storage facility if the CPUC determines that the Aliso Canyon natural gas storage facility should be permanently closed. The CPUC also added all California IOUs as parties to the proceeding and encouraged all load serving entities in the Los Angeles Basin to join the proceeding.

In November 2021, the CPUC issued a decision on the interim range of gas inventory levels at the Aliso Canyon natural gas storage facility, setting an interim range of gas inventory levels of up to 41.16 Bcf. The CPUC may issue future changes to this interim range of authorized gas inventory levels before issuing a final inventory determination within the SB 380 OII proceeding.

At June 30, 2023, the Aliso Canyon natural gas storage facility had a net book value of $976 million. If the Aliso Canyon natural gas storage facility were to be permanently closed or if future cash flows from its operation were otherwise insufficient to recover its carrying value, we may record an impairment of the facility, which could be material, or we could incur materially higher than expected operating costs and/or be required to make material additional capital expenditures (any or all of which may not be recoverable in rates), and natural gas reliability and electric generation could be jeopardized.

Regulatory Proceeding – Subject to an Agreement to Resolve. In June 2019, the CPUC opened an OII (the Leak OII) to investigate and consider, among other things, whether SoCalGas should be sanctioned for the Leak and what damages, fines or other penalties, if any, should be imposed for any violations, unreasonable or imprudent practices or failure to cooperate sufficiently with SED, as well as to determine the amount of various costs incurred by SoCalGas and other parties in connection with the Leak and the ratemaking treatment or other disposition of such costs, which could result in little or no recovery of such costs by SoCalGas. In October 2022, SoCalGas executed a settlement agreement with SED and the Public Advocates Office at the CPUC to resolve all aspects of the Leak OII. The settlement agreement provides for financial penalties, certain costs that SoCalGas will reimburse, a violation of California Public Utilities Code section 451, and costs previously incurred by SoCalGas for which it will not seek recovery from ratepayers, among other provisions. The settlement agreement was filed with and is subject to approval by the CPUC.

Insurance and Accounting and Other Impacts. Since 2015, SoCalGas has incurred significant costs related to the Leak, including costs to defend against and settle civil litigation arising from the Leak. Other than insurance for directors' and officers' liability, we have exhausted all of our insurance for this matter. We continue to pursue other sources of insurance coverage for costs related to this matter, but we may not be successful in obtaining additional insurance recovery for any of these costs.

In the three months and six months ended June 30, 2022, SoCalGas recorded total charges of $45 million ($32 million after tax) and $137 million ($98 million after tax), respectively, in Aliso Canyon Litigation and Regulatory Matters on the SoCalGas and Sempra Condensed Consolidated Statements of Operations related to the litigation and regulatory proceedings associated with the Leak.

At June 30, 2023, $126 million is accrued in Reserve for Aliso Canyon Costs and $2 million is accrued in Deferred Credits and Other on SoCalGas' and Sempra's Condensed Consolidated Balance Sheets. These accruals do not include any amounts beyond what has been estimated to resolve the matters that we describe above in "Litigation" and "Regulatory Proceedings," nor any amounts that may be necessary to resolve threatened litigation, other potential litigation or other costs, in each case to the extent it is not possible to predict at this time the outcome of these actions or reasonably estimate the possible costs or a range of possible costs. Further, we are not able to reasonably estimate the possible loss or a range of possible losses in excess of the amounts accrued, which could be significant.

Sempra Infrastructure

Energía Costa Azul

We describe below certain land disputes and permit challenges affecting our ECA Regas Facility. Certain of these land disputes involve land on which portions of the ECA LNG liquefaction facilities under construction and in development are expected to be situated or on which portions of the ECA Regas Facility that would be necessary for the operation of such ECA LNG liquefaction facilities are situated. One or more unfavorable final decisions on these disputes or challenges could materially adversely affect our existing natural gas regasification operations and proposed natural gas liquefaction projects at the site of the ECA Regas

Facility and have a material adverse effect on Sempra's business, results of operations, financial condition, cash flows and/or prospects.

Land Disputes. Sempra Infrastructure has been engaged in a long-running land dispute relating to property adjacent to its ECA Regas Facility that allegedly overlaps with land owned by the ECA Regas Facility (the facility, however, is not situated on the land that is the subject of this dispute), as follows:

- A claimant to the adjacent property filed complaints in the federal Agrarian Court challenging the refusal of SEDATU in 2006 to issue title to him for the disputed property. In November 2013, the federal Agrarian Court ordered that SEDATU issue the requested title to the claimant and cause it to be registered. Both SEDATU and Sempra Infrastructure challenged the ruling due to lack of notification of the underlying process. In May 2019, a federal court in Mexico reversed the ruling and ordered a retrial, which is pending resolution.
- In a separate proceeding, the claimant filed suit to reinitiate an administrative procedure at SEDATU to obtain the property title that was previously dismissed. In April 2021, the Agrarian Court ordered that the administrative procedure be restarted. The proceeding in the Agrarian Court has concluded; however, the administrative procedure at SEDATU may continue if SEDATU decides to reopen the matter.

In addition, an area of real property on which part of the ECA Regas Facility is situated is subject to a claim in the federal Agrarian Court, in which the plaintiff seeks to annul the property title for a portion of the land on which the ECA Regas Facility is situated and to obtain possession of a different parcel that allegedly overlaps with the site of the ECA Regas Facility. The proceeding, which seeks an order that SEDATU annul the ECA Regas Facility's competing property title, was initiated in 2006 and, in July 2021, a decision was issued in favor of the ECA Regas Facility. The plaintiff appealed, and in February 2022, the appellate court confirmed the ruling in favor of the ECA Regas Facility and dismissed the appeal. The plaintiff filed a federal appeal against the appellate court ruling. A ruling from the Federal Collegiate Circuit Court is pending.

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

In 2018 and 2021, three related claimants filed separate challenges in the federal district court in Ensenada, Baja California in relation to the environmental and social impact permits issued by each of ASEA and SENER to ECA LNG authorizing natural gas liquefaction activities at the ECA Regas Facility, as follows:

- In the first case, the court issued a provisional injunction in September 2018. In December 2018, ASEA approved modifications to the environmental permit that facilitate the development of the proposed natural gas liquefaction facility in two phases. In May 2019, the court canceled the provisional injunction. The claimant appealed the court's decision canceling the injunction but was not successful. The claimant's underlying challenge to the permits remains pending.
- In the second case, the initial request for a provisional injunction was denied. That decision was reversed on appeal in January 2020, resulting in the issuance of a new injunction against the permits that were issued by ASEA and SENER. This injunction has uncertain application absent clarification by the court. The claimants petitioned the court to rule that construction of natural gas liquefaction facilities violated the injunction, and in February 2022, the court ruled in favor of the ECA Regas Facility, holding that the natural gas liquefaction activities did not violate the injunction. The claimants appealed this ruling but were not successful. The claimant's underlying challenge to the permits remains pending.
- In the third case, a group of residents filed a complaint in June 2021 against various federal and state authorities alleging deficiencies in the public consultation process for the issuance of the permits. The request for an initial injunction was denied. The claimants appealed this ruling but were not successful. The court's first instance ruling was favorable to the ECA Regas Facility, as the court determined that no harm has been caused to the plaintiffs and dismissed the lawsuit. The claimants appealed and the appellate court's ruling is pending.

Litigation Related to Regulatory and Other Actions by the Mexican Government

Amendments to Mexico's Electricity Industry Law. In March 2021, the Mexican government published a decree with amendments to Mexico's Electricity Industry Law that include some public policy changes, including establishing priority of dispatch for CFE plants over privately owned plants. According to the decree, these amendments were to become effective on March 10, 2021, and SENER, the CRE and Centro Nacional de Control de Energía (Mexico's National Center for Energy Control) were to have 180 calendar days to modify, as necessary, all resolutions, policies, criteria, manuals and other regulations applicable to the power industry to conform with this decree. However, a Mexican court issued a suspension of the amendments on March 19, 2021. In April 2022, the Mexican Supreme Court resolved an action of unconstitutionality filed by a group of senators against the amended Electricity Industry Law, but the qualified majority of eight votes out of 11 as is required in matters involving constitutionality was not reached and the proceeding was dismissed, which means that the Mexican Supreme Court did not issue a binding precedent and the amended Electricity Industry Law remains in force. Sempra Infrastructure filed three lawsuits against the amendments to the Electricity Industry Law and, in each of them, Sempra Infrastructure obtained a favorable judgment in the lower courts, which were challenged by the CRE. Final resolution is pending. If the proposed amendments are affirmed by the lower courts or by the Mexican Supreme Court (which in these cases would only require a simple majority vote), the CRE may be required to revoke self-supply permits granted under the former electricity law, which were grandfathered when the new Electricity Industry Law was enacted, under a legal standard that is ambiguous and not well defined under the law. If such self-supply permits granted under the former electricity law are revoked, it may result in increased costs for Sempra Infrastructure and for its power consumers, may adversely affect our ability to develop new projects, may result in decreased revenues and cash flows, and may negatively impact our ability to recover the carrying values of our investments in Mexico, any of which could have a material adverse effect on Sempra's business, results of operations, financial condition, cash flows and/or prospects.

Sonora Pipeline – Resolved

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

Following the start of commercial operations, Sempra Infrastructure reported damage to the Guaymas-El Oro segment in the Yaqui territory that has made that section inoperable since August 2017 and, as a result, Sempra Infrastructure declared a force majeure event. In 2017, an appellate court ruled that the scope of the 2016 suspension order encompassed the wider Yaqui territory, which has prevented Sempra Infrastructure from making repairs to put the pipeline back in service. In July 2019, a federal district court ruled in favor of Sempra Infrastructure and held that the Yaqui tribe was properly consulted and that consent from the Yaqui tribe was properly received. Representatives of the Bácum community appealed this decision, causing the suspension order preventing Sempra Infrastructure from repairing the damage to the Guaymas-El Oro segment to remain in place until the appeals process was exhausted. Following a request by the CFE to dismiss the appeal based on the plan to re-route the portion of the pipeline that is in the Yaqui territory, in December 2022, the court of appeals reversed the federal district court's ruling and ordered the district court to issue a new ruling that takes into account the planned re-routing of the pipeline. In February 2023, the district court issued a new ruling and resolved to dismiss the case, which was not appealed and, in March 2023, the district court declared that the case was definitively concluded.

Other Litigation

RBS Sempra Commodities

Sempra holds an equity method investment in RBS Sempra Commodities, a limited liability partnership in the process of being liquidated. In 2015, liquidators filed a claim in the High Court of Justice against RBS (now NatWest Markets plc, our partner in the JV) and Mercuria Energy Europe Trading Limited (the Defendants) on behalf of 10 companies (the Liquidating Companies) that engaged in carbon credit trading via chains that included a company that traded directly with RBS SEE, a subsidiary of RBS Sempra Commodities. The claim alleges that the Defendants' participation in the purchase and sale of carbon credits resulted in the Liquidating Companies' carbon credit trading transactions creating a VAT liability they were unable to pay, and that the Defendants are liable to provide for equitable compensation due to dishonest assistance and compensation under the U.K. Insolvency Act of 1986. Trial on the matter was held in June and July of 2018. In March 2020, the High Court of Justice rendered its judgment mostly in favor of the Liquidating Companies and awarded damages of approximately £45 million (approximately $57 million in U.S. dollars at June 30, 2023), plus costs and interest. In October 2020, the High Court of Justice assessed costs and interest to be approximately £21 million (approximately $27 million in U.S. dollars at June 30, 2023) as of that date, with interest continuing to accrue. The Defendants appealed and, in May 2021, the Court of Appeal set aside the High Court of Justice's decision and ordered a retrial. In July 2022, the Supreme Court of the U.K. denied the Liquidating Companies application for permission to appeal the Court of Appeal's decision. No date has been scheduled for the retrial. J.P. Morgan Chase & Co., which acquired RBS SEE and later sold it to Mercuria Energy Group, Ltd., previously notified us that Mercuria Energy Group, Ltd. has sought indemnity for the claim, and J.P. Morgan Chase & Co. has in turn sought indemnity from Sempra and RBS.

Asbestos Claims Against EFH Subsidiaries

Certain EFH subsidiaries that we acquired as part of the merger of EFH with an indirect subsidiary of Sempra were defendants in personal injury lawsuits brought in state courts throughout the U.S. These cases alleged illness or death as a result of exposure to asbestos in power plants designed and/or built by companies whose assets were purchased by predecessor entities to the EFH subsidiaries, and generally assert claims for product defects, negligence, strict liability and wrongful death. They sought compensatory and punitive damages. As of July 31, 2023, two lawsuits are pending. Additionally, approximately 28,000 proofs of claim were filed, but not discharged, in advance of a December 2015 deadline to file a proof of claim in the EFH bankruptcy proceeding on behalf of persons who allege exposure to asbestos under similar circumstances and assert the right to file such lawsuits in the future. The costs to defend or resolve such claims and the amount of damages that may be incurred could have a material adverse effect on Sempra's results of operations, financial condition, cash flows and/or prospects.

Ordinary Course Litigation

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

LEASES

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

Lessee Accounting

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

SDG&E entered into an energy storage agreement that commenced in the second quarter of 2023 and expires in 2033. SDG&E recorded an operating lease right-of-use asset and operating lease liability of $101 million. Undiscounted lease payments are $9 million in 2023, $13 million in each of 2024 through 2027 and $66 million thereafter.

Leases That Have Not Yet Commenced

SDG&E has entered into four energy storage agreements, of which SDG&E expects one will commence in the second half of 2023, two will commence in 2024 and one will commence in 2025. SDG&E expects the future minimum lease payments to be $1 million in 2023, $32 million in 2024, $41 million in each of 2025 and 2026, $40 million in 2027 and $377 million thereafter until expiration in 2039.

SoCalGas has entered into a fleet vehicle agreement, under which SoCalGas expects leases will commence throughout the second half of 2023 and first quarter of 2024. SoCalGas expects the future minimum lease payments to be $1 million in each of 2024 through 2027 and $6 million thereafter until expiration in 2032.

Lessor Accounting

Sempra Infrastructure is a lessor for certain of its natural gas and ethane pipelines, compressor stations, liquid petroleum gas storage facilities, a rail facility and refined products terminals, which we account for as operating or sales-type leases.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sales-type leases:				
Interest income	$ 1	$ 2	$ 3	$ 4
Total revenues from sales-type leases[1]	$ 1	$ 2	$ 3	$ 4
Operating leases:				
Fixed lease payments	$ 76	$ 70	$ 156	$ 140
Variable lease payments	14	3	16	4
Total revenues from operating leases[1]	$ 90	$ 73	$ 172	$ 144
Depreciation expense	$ 15	$ 14	$ 30	$ 27

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

CONTRACTUAL COMMITMENTS

We discuss below significant changes in the first six months of 2023 to contractual commitments discussed in Note 16 of the Notes to Consolidated Financial Statements in the Annual Report.

Natural Gas Contracts

Sempra Infrastructure's natural gas contracts and natural gas storage and transportation commitments have increased by approximately $863 million since December 31, 2022, primarily from entering into new storage and transportation contracts in the first six months of 2023. We expect future payments to decrease by $27 million in 2023, and increase by $23 million in 2024, $33 million in each of 2025 and 2026, $30 million in 2027 and $771 million thereafter through expiration in 2059 compared to December 31, 2022.

LNG Purchase Agreement

Sempra Infrastructure has an SPA for the supply of LNG to the ECA Regas Facility. The commitment amount is calculated using a predetermined formula based on estimated forward prices of the index applicable from 2023 to 2029. Although this agreement specifies a number of cargoes to be delivered, under its terms, the supplier may divert certain cargoes, which would reduce amounts paid under the agreement by Sempra Infrastructure. At June 30, 2023, we expect the commitment amount to decrease by $841 million in 2023, $87 million in 2024, $65 million in 2025, $87 million in 2026, $98 million in 2027 and $208 million thereafter (through contract termination in 2029) compared to December 31, 2022, reflecting changes in estimated forward prices since December 31, 2022 and actual transactions for the first six months of 2023. These LNG commitment amounts are based on the assumption that all LNG cargoes, less those already confirmed to be diverted as of June 30, 2023, under the agreement are delivered. Actual LNG purchases in the current and prior years have been significantly lower than the maximum amount provided under the agreement due to the supplier electing to divert cargoes as allowed by the agreement.

ENVIRONMENTAL ISSUES

We disclose any proceeding under environmental laws to which a government authority is a party when the potential monetary sanctions, exclusive of interest and costs, exceed the lesser of $1 million or 1% of current assets, which was $48 million for Sempra, $17 million for SDG&E and $13 million for SoCalGas at June 30, 2023.

NOTE 11. SEGMENT INFORMATION

We have four separately managed reportable segments, as follows:

- *SDG&E* provides electric service to San Diego and southern Orange counties and natural gas service to San Diego County.
- *SoCalGas* is a natural gas distribution utility, serving customers throughout most of Southern California and part of central California.
- *Sempra Texas Utilitie*s holds our investment in Oncor Holdings, which owns an 80.25% interest in Oncor, a regulated electricity transmission and distribution utility serving customers in the north-central, eastern, western and panhandle regions of Texas; and our indirect, 50% interest in Sharyland Holdings L.P., which owns Sharyland Utilities, L.L.C., a regulated electric transmission utility serving customers near the Texas-Mexico border.
- *Sempra Infrastructure* includes the operating companies of our subsidiary, SI Partners, as well as a holding company and certain services companies. Sempra Infrastructure develops, builds, operates and invests in energy infrastructure to help enable the energy transition in North American markets and globally.

We evaluate each segment's performance based on its contribution to Sempra's reported earnings and cash flows. SDG&E and SoCalGas operate in essentially separate service territories, under separate regulatory frameworks and rate structures set by the CPUC and, in the case of SDG&E, the FERC.

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

The following tables show selected information by segment from our Condensed Consolidated Statements of Operations and Condensed Consolidated Balance Sheets. Amounts labeled as "All other" in the following tables consist primarily of activities of parent organizations.

SEGMENT INFORMATION
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
REVENUES				
SDG&E	$ 1,262	$ 1,399	$ 2,915	$ 2,844
SoCalGas	1,467	1,501	5,261	3,494
Sempra Infrastructure	660	689	1,856	1,113
Adjustments and eliminations	(2)	(2)	(1)	—
Intersegment revenues[(1)]	(52)	(40)	(136)	(84)
Total	$ 3,335	$ 3,547	$ 9,895	$ 7,367
DEPRECIATION AND AMORTIZATION				
SDG&E	$ 268	$ 244	$ 530	$ 483
SoCalGas	208	188	414	375
Sempra Infrastructure	70	67	139	132
All other	3	2	5	4
Total	$ 549	$ 501	$ 1,088	$ 994
INTEREST INCOME				
SDG&E	$ 4	$ 1	$ 5	$ 1
SoCalGas	1	1	5	1
Sempra Infrastructure	6	9	21	30
All other	6	4	10	8
Total	$ 17	$ 15	$ 41	$ 40
INTEREST EXPENSE				
SDG&E	$ 123	$ 114	$ 241	$ 220
SoCalGas	71	45	140	85
Sempra Infrastructure	25	32	120	59
All other	99	81	183	151
Intercompany eliminations	(1)	(1)	(1)	(1)
Total	$ 317	$ 271	$ 683	$ 514
INCOME TAX EXPENSE (BENEFIT)				
SDG&E	$ 4	$ 42	$ 11	$ 106
SoCalGas	(21)	19	73	103
Sempra Infrastructure	201	70	531	161
All other	(9)	(51)	(64)	44
Total	$ 175	$ 80	$ 551	$ 414
EQUITY EARNINGS				
Equity earnings, before income tax:				
Sempra Texas Utilities	$ 2	$ 3	$ 3	$ 5
Sempra Infrastructure	151	156	282	297
	153	159	285	302
Equity earnings, net of income tax:				
Sempra Texas Utilities	160	184	243	346
Sempra Infrastructure	75	32	79	53
	235	216	322	399
Total	$ 388	$ 375	$ 607	$ 701

[(1)] *Revenues for reportable segments include intersegment revenues of $5, $28, and $19 for the three months ended June 30, 2023 and $9, $62, and $65 for the six months ended June 30, 2023; $3, $23, and $14 for the three months ended June 30, 2022 and $7, $49, and $28 for the six months ended June 30, 2022 for SDG&E, SoCalGas, and Sempra Infrastructure, respectively.*

SEGMENT INFORMATION (CONTINUED)
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
EARNINGS (LOSSES) ATTRIBUTABLE TO COMMON SHARES				
SDG&E	$ 184	$ 176	$ 442	$ 410
SoCalGas	155	87	515	421
Sempra Texas Utilities	160	186	243	348
Sempra Infrastructure	208	183	523	278
All other	(104)	(73)	(151)	(286)
Total	$ 603	$ 559	$ 1,572	$ 1,171
EXPENDITURES FOR PROPERTY, PLANT & EQUIPMENT				
SDG&E			$ 1,239	$ 1,090
SoCalGas			961	931
Sempra Infrastructure			2,078	336
All other			4	4
Total			$ 4,282	$ 2,361

	June 30, 2023	December 31, 2022
ASSETS		
SDG&E	$ 27,786	$ 26,422
SoCalGas	22,591	22,346
Sempra Texas Utilities	13,988	13,781
Sempra Infrastructure	17,610	15,760
All other	1,773	1,376
Intersegment receivables	(1,021)	(1,111)
Total	$ 82,727	$ 78,574
EQUITY METHOD INVESTMENTS		
Sempra Texas Utilities	$ 13,979	$ 13,772
Sempra Infrastructure	2,036	1,905
Total	$ 16,015	$ 15,677

NOTE 12. SUBSEQUENT EVENT

SEMPRA COMMON STOCK SPLIT IN THE FORM OF A STOCK DIVIDEND

On August 2, 2023, Sempra’s board of directors declared a two-for-one split of Sempra’s common stock in the form of a 100% stock dividend for shareholders of record at the close of business on August 14, 2023. Each shareholder of record will receive one additional share of Sempra common stock for every then-held share of Sempra common stock, to be distributed after the close of trading on August 21, 2023. We expect Sempra’s common stock will begin trading on a post-split basis effective August 22, 2023. Sempra’s common stock will continue to have no par value with 1,125,000,000 authorized shares.

The following represents the unaudited pro forma effect of the two-for-one stock split as if it had been effective for all periods presented:

PRO FORMA EARNINGS PER COMMON SHARE COMPUTATIONS ON A POST-SPLIT BASIS
(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Earnings attributable to common shares	$ 603	$ 559	$ 1,572	$ 1,171
Denominator:				
Weighted-average common shares outstanding for basic EPS[1]	630,014	629,691	629,926	631,190
Dilutive effect of stock options and RSUs	2,107	2,044	2,259	2,104
Weighted-average common shares outstanding for diluted EPS	632,121	631,735	632,185	633,294
EPS:				
Basic	$ 0.96	$ 0.89	$ 2.50	$ 1.86
Diluted	$ 0.95	$ 0.89	$ 2.49	$ 1.85

(1) Includes 710 and 798 fully vested RSUs held in our Deferred Compensation Plan for the three months ended June 30, 2023 and 2022, respectively, and 716 and 806 of such RSUs for the six months ended June 30, 2023 and 2022, respectively. These fully vested RSUs are included in weighted-average common shares outstanding for basic EPS because there are no conditions under which the corresponding shares will not be issued.

Upon the distribution date for the stock dividend, all historical shares and per share information related to issued and outstanding common stock and outstanding equity awards exercisable into common stock will be retroactively adjusted to reflect the stock split in future financial statements.

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

This combined MD&A for Sempra, SDG&E and SoCalGas should be read in conjunction with the Condensed Consolidated Financial Statements and the Notes thereto in this report, and the Consolidated Financial Statements and the Notes thereto, "Part I – Item 1A. Risk Factors" and "Part II – Item 7. MD&A" in the Annual Report.

OVERVIEW

Sempra is a California-based holding company with energy infrastructure investments in North America. Our businesses invest in, develop and operate energy infrastructure, and provide electric and gas services to customers.

RESULTS OF OPERATIONS

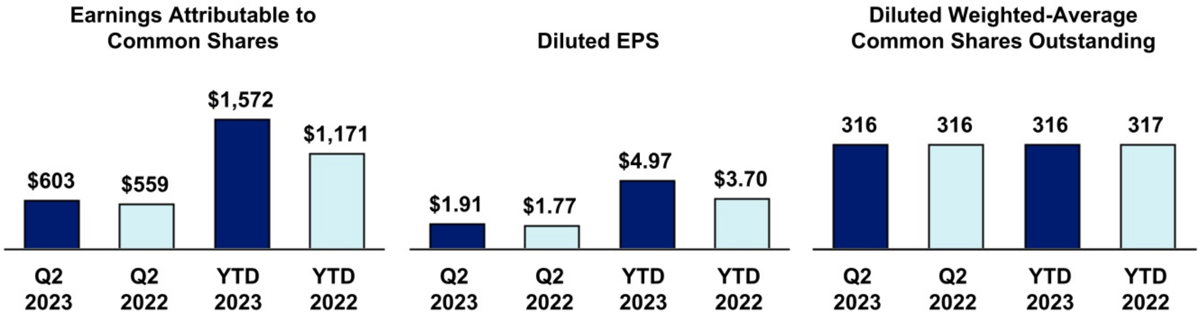
We discuss the following in Results of Operations:

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

OVERALL RESULTS OF OPERATIONS OF SEMPRA

Sempra’s overall results of operations for the three months (Q2) and six months (YTD) ended June 30, 2023 and 2022 were as follows:

OVERALL RESULTS OF OPERATIONS OF SEMPRA
(Dollars and shares in millions, except per share amounts)



Our earnings and diluted EPS were impacted by variances discussed below in “Segment Results.”

SEGMENT RESULTS

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

SEMPRA EARNINGS (LOSSES) BY SEGMENT
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
SDG&E	$ 184	$ 176	$ 442	$ 410
SoCalGas	155	87	515	421
Sempra Texas Utilities	160	186	243	348
Sempra Infrastructure	208	183	523	278
Parent and other[1]	(104)	(73)	(151)	(286)
Earnings attributable to common shares	$ 603	$ 559	$ 1,572	$ 1,171

[1] *Includes intercompany eliminations recorded in consolidation and certain corporate costs.*

SDG&E

The increase in earnings of $8 million (5%) in the three months ended June 30, 2023 compared to the same period in 2022 was primarily due to:

- $11 million higher CPUC base operating margin, net of operating expenses and $6 million from lower authorized cost of capital; and
- $6 million higher net regulatory interest income; **offset by**
- $6 million higher net interest expense.

The increase in earnings of $32 million (8%) in the six months ended June 30, 2023 compared to the same period in 2022 was primarily due to:

- $27 million higher CPUC base operating margin, net of operating expenses and $12 million from lower authorized cost of capital;

- $12 million higher net regulatory interest income; and
- $10 million lower income tax expense primarily from flow-through items and lower associated regulatory revenues in 2022; **offset by**
- $14 million higher net interest expense.

SoCalGas

The increase in earnings of $68 million in the three months ended June 30, 2023 compared to the same period in 2022 was primarily due to:

- $32 million charge in 2022 relating to litigation pertaining to the Leak;
- $28 million higher income tax benefits primarily from flow-through items, which includes $25 million related to income tax benefits in 2023 for previously unrecognized income tax benefits pertaining to gas repairs expenditures;
- $21 million regulatory awards approved by the CPUC in 2023; and
- $5 million higher net regulatory interest income; **offset by**
- $19 million higher net interest expense.

The increase in earnings of $94 million (22%) in the six months ended June 30, 2023 compared to the same period in 2022 was primarily due to:

- $98 million charge in 2022 relating to litigation pertaining to the Leak;
- $17 million higher income tax benefits primarily from flow-through items, which includes $25 million related to income tax benefits in 2023 for previously unrecognized income tax benefits pertaining to gas repairs expenditures;
- $13 million higher regulatory awards approved by the CPUC;
- $11 million higher net regulatory interest income; and
- $10 million in penalties in 2022 related to energy efficiency and advocacy OSCs; **offset by**
- $37 million higher net interest expense; and
- $12 million lower CPUC base operating margin, net of operating expenses and $12 million from lower authorized cost of capital.

Sempra Texas Utilities

The decrease in earnings of $26 million (14%) in the three months ended June 30, 2023 compared to the same period in 2022 was primarily due to lower equity earnings from Oncor Holdings driven by:

- higher interest expense and depreciation expense attributable to invested capital; and
- higher O&M; **offset by**
- higher revenues attributable to updates to transmission billing factors, new base rates implemented in May 2023 and customer growth, offset by lower revenues from decreased customer consumption primarily attributable to weather.

The decrease in earnings of $105 million (30%) in the six months ended June 30, 2023 compared to the same period in 2022 was primarily due to lower equity earnings from Oncor Holdings driven by:

- write-off of rate base disallowances in 2023 resulting from the PUCT’s final order in Oncor’s comprehensive base rate review;
- higher interest expense and depreciation expense attributable to invested capital; and
- higher O&M; **offset by**
- higher revenues attributable to updates to transmission billing factors, new base rates implemented in May 2023 and customer growth, offset by lower revenues from decreased customer consumption primarily attributable to weather.

Sempra Infrastructure

The increase in earnings of $25 million (14%) in the three months ended June 30, 2023 compared to the same period in 2022 was primarily due to:

- $125 million from asset and supply optimization driven by unrealized gains in 2023 compared to unrealized losses in 2022 on commodity derivatives due to changes in natural gas prices, offset by lower LNG diversion fees; and
- $64 million from the transportation business driven by higher equity earnings and revenues, including the cumulative impact of new tariffs going into effect for certain pipelines in Mexico; **offset by**
- $119 million unfavorable impact from foreign currency and inflation effects on our monetary positions in Mexico, comprised of a $136 million unfavorable impact in 2023 compared to a $17 million unfavorable impact in 2022;

- $121 million earnings attributable to NCI in 2023 compared to $88 million earnings attributable to NCI in 2022 primarily due to an increase in SI Partners' net income and from the sale of a 10% NCI in SI Partners to ADIA in June 2022; and
- $18 million from the LNG business driven by higher development costs and certain non-capitalized expenses from projects under construction.

The increase in earnings of $245 million in the six months ended June 30, 2023 compared to the same period in 2022 was primarily due to:

- $607 million from asset and supply optimization driven by unrealized gains in 2023 compared to unrealized losses in 2022 on commodity derivatives due to changes in natural gas prices and higher LNG diversion revenues; and
- $85 million from the transportation business driven by higher equity earnings and revenues, including the cumulative impact of new tariffs going into effect for certain pipelines in Mexico and a customer's early termination of firm transportation agreements; **offset by**
- $313 million earnings attributable to NCI in 2023 compared to $122 million earnings attributable to NCI in 2022 primarily due to an increase in SI Partners' net income and from the sale of a 10% NCI in SI Partners to ADIA in June 2022;
- $183 million unfavorable impact from foreign currency and inflation effects on our monetary positions in Mexico, comprised of a $296 million unfavorable impact in 2023 compared to a $113 million unfavorable impact in 2022; and
- $51 million higher net interest expense, including $27 million net unrealized losses in 2023 on a contingent interest rate swap related to the PA LNG Phase 1 project and higher interest expense on committed lines of credit.

Parent and Other

The increase in losses of $31 million (42%) in the three months ended June 30, 2023 compared to the same period in 2022 was primarily due to:

- $30 million income tax benefit in 2022 from changes to a valuation allowance against certain tax credit carryforwards;
- $17 million higher income tax expense from the interim period application of an annual forecasted consolidated ETR; and
- $11 million higher net interest expense; **offset by**
- $1 million net investment gains in 2023 compared to $20 million net investment losses in 2022 on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation obligations.

The decrease in losses of $135 million (47%) in the six months ended June 30, 2023 compared to the same period in 2022 was primarily due to:

- $120 million deferred income tax expense in 2022 associated with the change in our indefinite reinvestment assertion related to our foreign subsidiaries;
- $8 million net investment gains in 2023 compared to $37 million net investment losses in 2022 on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation obligations; and
- $7 million higher income tax benefit from the interim period application of an annual forecasted consolidated ETR; **offset by**
- $30 million income tax benefit in 2022 from changes to a valuation allowance against certain tax credit carryforwards; and
- $21 million higher net interest expense.

SIGNIFICANT CHANGES IN REVENUES, COSTS AND EARNINGS

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

Utilities Revenues and Cost of Sales

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

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

- The cost of natural gas purchased for core customers (primarily residential and small commercial and industrial customers) to be passed through to customers in rates substantially as incurred and without markup. The GCIM provides for SoCalGas to share in the savings and/or costs from buying natural gas for its core customers at prices below or above monthly market-based benchmarks. This mechanism permits full recovery of costs incurred when average purchase costs are within a price range around the benchmark price. Any higher costs incurred or savings realized outside this range are shared between core customers and SoCalGas.

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

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

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

The table below summarizes utilities revenues and cost of sales.

UTILITIES REVENUES AND COST OF SALES
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Natural gas revenues:				
SoCalGas	$ 1,467	$ 1,501	$ 5,261	$ 3,494
SDG&E	204	207	826	532
Sempra Infrastructure	19	20	49	48
Eliminations and adjustments	(30)	(24)	(64)	(50)
Total	1,660	1,704	6,072	4,024
Electric revenues:				
SDG&E	1,058	1,192	2,089	2,312
Eliminations and adjustments	(4)	(3)	(8)	(6)
Total	1,054	1,189	2,081	2,306
Total utilities revenues	$ 2,714	$ 2,893	$ 8,153	$ 6,330
Cost of natural gas[(1)]:				
SoCalGas	$ 284	$ 459	$ 2,631	$ 1,136
SDG&E	38	69	417	195
Sempra Infrastructure	2	5	1	14
Eliminations and adjustments	(13)	(5)	(55)	(15)
Total	311	528	2,994	1,330
Cost of electric fuel and purchased power[(1)]:				
SDG&E	107	269	242	490
Eliminations and adjustments	(19)	(18)	(40)	(34)
Total	88	251	202	456
Total utilities cost of sales	$ 399	$ 779	$ 3,196	$ 1,786

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

Natural Gas Revenues and Cost of Natural Gas

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

SEMPRA CALIFORNIA AVERAGE COST OF NATURAL GAS (Dollars per thousand cubic feet)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
SoCalGas	$ 4.31	$ 7.63	$ 13.88	$ 7.11
SDG&E	3.69	7.84	13.38	7.16

In the three months ended June 30, 2023, our natural gas revenues decreased by $44 million (3%) remaining at $1.7 billion compared to the same period in 2022 primarily due to:

- $34 million decrease at SoCalGas, which included:
  - $175 million decrease in cost of natural gas sold, which we discuss below, and
  - $26 million lower regulatory revenues in 2023 from the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures, which are offset in income tax expense, *offset by*
  - $90 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M,
  - $29 million regulatory awards approved by the CPUC in 2023,
  - $25 million higher CPUC-authorized revenues, and
  - $13 million higher non-service components of net periodic benefit cost, which fully offsets in other income (expense), net; and
- $3 million decrease at SDG&E, which included:
  - $31 million decrease in cost of natural gas sold, which we discuss below, *offset by*
  - $14 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M, and
  - $6 million higher revenues from balanced capital projects.

In the three months ended June 30, 2023, our cost of natural gas decreased by $217 million (41%) to $311 million compared to the same period in 2022 primarily due to:

- $175 million decrease at SoCalGas, including $220 million from lower average natural gas prices, offset by $45 million from higher volumes driven by weather; and
- $31 million decrease at SDG&E, including $43 million from lower average natural gas prices, offset by $12 million from higher volumes driven by weather.

In the six months ended June 30, 2023, our natural gas revenues increased by $2.0 billion to $6.1 billion compared to the same period in 2022 primarily due to:

- $1.8 billion increase at SoCalGas, which included:
  - $1.5 billion increase in cost of natural gas sold, which we discuss below,
  - $141 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M,
  - $38 million cost in 2023 compared to a $26 million credit in 2022 for the non-service components of net periodic benefit cost, which fully offsets in other income (expense), net,
  - $43 million higher CPUC-authorized revenues,
  - $26 million higher franchise fee revenues, and
  - $18 million higher regulatory awards approved by the CPUC, *offset by*
  - $26 million lower regulatory revenues in 2023 from the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures, which are offset in income tax expense; and
- $294 million increase at SDG&E, which included:
  - $222 million increase in cost of natural gas sold, which we discuss below,
  - $30 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M, and
  - $24 million higher revenues from balanced capital projects.

In the six months ended June 30, 2023, our cost of natural gas increased by $1.7 billion to $3.0 billion compared to the same period in 2022 primarily due to:

- $1.5 billion increase at SoCalGas, including $1.3 billion from higher average natural gas prices and $213 million from higher volumes driven by weather; and
- $222 million increase at SDG&E, including $194 million from higher average natural gas prices and $28 million from higher volumes driven by weather.

Electric Revenues and Cost of Electric Fuel and Purchased Power

In the three months ended June 30, 2023, our electric revenues, substantially all of which are at SDG&E, decreased by $135 million (11%) to $1.1 billion compared to the same period in 2022 primarily due to:

- $162 million lower cost of electric fuel and purchased power, which we discuss below; and
- $44 million in 2023 from the recognition of investment tax credits from standalone energy storage projects, offset in income tax expense; **offset by**
- $14 million higher CPUC-authorized revenues;
- $12 million higher revenues from balanced capital projects;
- $11 million higher revenues associated with impacts resulting from changes in tax laws tracked in the income tax expense memorandum account; and
- $8 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M.

Our utility cost of electric fuel and purchased power includes utility-owned generation, power purchased from third parties, and net power purchases and sales to the California ISO. In the three months ended June 30, 2023, the cost of electric fuel and purchased power decreased by $163 million to $88 million compared to the same period in 2022 primarily due to a $162 million decrease at SDG&E, which included:

- $84 million lower purchased power from, net of higher excess capacity sales to, third parties;
- $45 million higher sales to the California ISO due to higher market prices; and
- $30 million lower utility-owned generation costs.

In the six months ended June 30, 2023, our electric revenues, substantially all of which are at SDG&E, decreased by $225 million (10%) to $2.1 billion compared to the same period in 2022 primarily due to:

- $248 million lower cost of electric fuel and purchased power, which we discuss below; and
- $102 million in 2023 from the recognition of investment tax credits from standalone energy storage projects, offset in income tax expense; **offset by**
- $40 million higher revenues from balanced capital projects;
- $23 million higher CPUC-authorized revenues;
- $6 million cost in 2023 compared to a $7 million credit in 2022 for the non-service components of net periodic benefit cost, which fully offsets in other income (expense), net;
- $11 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M;
- $9 million higher revenues associated with impacts resulting from changes in tax laws tracked in the income tax expense memorandum account; and
- $7 million higher revenues from transmission operations.

In the six months ended June 30, 2023, the cost of electric fuel and purchased power decreased by $254 million to $202 million compared to the same period in 2022 primarily due to a $248 million decrease at SDG&E, which included:

- $142 million higher sales to the California ISO due to higher market prices;
- $100 million lower purchased power from, net of higher excess capacity sales to, third parties; and
- $59 million higher realized gains on fixed-price natural gas derivative contracts, which are entered into to hedge the cost of electric fuel; **offset by**
- $42 million higher purchased power from the California ISO due to higher market prices, net of lower customer demand from departing load now served by CCAs.

Energy-Related Businesses: Revenues and Cost of Sales

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

ENERGY-RELATED BUSINESSES: REVENUES AND COST OF SALES *(Dollars in millions)*	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenues:				
Sempra Infrastructure	$ 641	$ 669	$ 1,807	$ 1,065
Parent and other[1]	(20)	(15)	(65)	(28)
Total revenues	$ 621	$ 654	$ 1,742	$ 1,037
Cost of sales[2]:				
Sempra Infrastructure	$ 81	$ 289	$ 274	$ 424
Total cost of sales	$ 81	$ 289	$ 274	$ 424

(1) *Includes eliminations of intercompany activity.*
(2) *Excludes depreciation and amortization, which are presented separately on Sempra's Condensed Consolidated Statements of Operations.*

In the three months ended June 30, 2023, revenues from our energy-related businesses decreased by $33 million (5%) to $621 million compared to the same period in 2022 primarily due to:

- $44 million lower revenues from TdM mainly due to lower power prices and lower volumes from scheduled major maintenance completed in April 2023; **offset by**
- $17 million increase in revenues from asset and supply optimization from contracts to sell natural gas and LNG to third parties, including:
  - $141 million primarily driven by $199 million unrealized gains in 2023 compared to $19 million unrealized losses in 2022 on commodity derivatives, offset by $86 million from lower natural gas prices and volumes, *offset by*
  - $71 million lower LNG sales, and
  - $44 million primarily from lower LNG diversion fees.

In the three months ended June 30, 2023, the cost of sales for our energy-related businesses decreased by $208 million to $81 million compared to the same period in 2022 primarily due to:

- $177 million driven by lower natural gas and LNG purchases related to asset and supply optimization; and
- $34 million at TdM driven by lower prices and lower volumes from scheduled major maintenance completed in April 2023.

In the six months ended June 30, 2023, revenues from our energy-related businesses increased by $705 million to $1.7 billion compared to the same period in 2022 primarily due to:

- $700 million increase in revenues from asset and supply optimization from contracts to sell natural gas and LNG to third parties, including:
  - $731 million primarily driven by $617 million unrealized gains in 2023 compared to $107 million unrealized losses in 2022 on commodity derivatives and $41 million from higher volumes and natural gas prices, and
  - $40 million primarily from higher LNG diversion fees, *offset by*
  - $71 million lower LNG sales; and
- $36 million higher transportation revenues driven by a customer's early termination of firm transportation agreements.

In the six months ended June 30, 2023, the cost of sales for our energy-related businesses decreased by $150 million (35%) to $274 million compared to the same period in 2022 primarily due to:

- $204 million decrease driven by lower natural gas and LNG purchases, net of higher natural gas prices, related to asset and supply optimization; **offset by**
- $52 million increase at TdM driven by higher prices offset by lower volumes from scheduled major maintenance completed in April 2023.

Operation and Maintenance

In the three months ended June 30, 2023, O&M increased by $204 million (18%) to $1.4 billion compared to the same period in 2022 primarily due to:

- $110 million increase at SoCalGas due to:
  - $90 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and

- $20 million higher non-refundable operating costs;
- $54 million increase at SDG&E due to:
  - $32 million higher non-refundable operating costs, and
  - $22 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue; and
- $31 million increase at Sempra Infrastructure, primarily due to:
  - $19 million higher development costs and certain non-capitalized expenses from projects under construction, and
  - $8 million higher operating costs at TdM primarily from higher purchased materials and services due to scheduled major maintenance completed in April 2023.

In the six months ended June 30, 2023, O&M increased by $327 million (15%) to $2.6 billion compared to the same period in 2022 primarily due to:

- $184 million increase at SoCalGas due to:
  - $141 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and
  - $43 million higher non-refundable operating costs;
- $84 million increase at SDG&E due to:
  - $43 million higher non-refundable operating costs, and
  - $41 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue; and
- $60 million increase at Sempra Infrastructure due to:
  - $31 million higher development costs and certain non-capitalized expenses from projects under construction,
  - $12 million higher operating cost due to remeasurement of operating leases at the refined products terminals in 2022, and
  - $10 million higher purchased services.

Aliso Canyon Litigation and Regulatory Matters

In the three months and six months ended June 30, 2022, SoCalGas recorded charges of $45 million and $137 million, respectively, relating to litigation pertaining to the Leak.

Other Income (Expense), Net

As part of our central risk management function, we may enter into foreign currency derivatives to hedge SI Partners' exposure to movements in the Mexican peso from its controlling interest in IEnova. The gains/losses associated with these derivatives are included in other income (expense), net, as described below, and partially mitigate the transactional effects of foreign currency and inflation included in income tax expense for SI Partners' consolidated entities and in equity earnings for SI Partners' equity method investments. We discuss policies governing our risk management in "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the Annual Report.

Other income, net, in the three months ended June 30, 2023 was $31 million compared to other expense, net, of $1 million in the same period in 2022 primarily due to:

- $5 million net investment gains in 2023 compared to $34 million investment losses in 2022 on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation obligations; and
- $15 million higher net interest income on regulatory balancing accounts at SDG&E and SoCalGas; **offset by**
- $17 million higher non-service components of net periodic benefit cost.

In the six months ended June 30, 2023, other income, net, increased by $35 million to $72 million compared to the same period in 2022 primarily due to:

- $17 million net investment gains in 2023 compared to $47 million investment losses in 2022 on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation obligations;
- $32 million higher net interest income on regulatory balancing accounts at SDG&E and SoCalGas; and
- $8 million net gains in 2023 compared to $17 million net losses in 2022 from impacts associated with interest rate and foreign exchange instruments and foreign currency transactions, including:
  - $4 million gains in 2023 compared to $11 million losses in 2022 on other foreign currency transactional effects, and
  - $11 million foreign currency losses in 2022 on a Mexican peso-denominated loan to IMG, which is fully offset in equity earnings; and
- $10 million in penalties at SoCalGas in 2022 related to energy efficiency and advocacy OSCs; **offset by**
- $51 million cost in 2023 compared to a $32 million credit in 2022 for the non-service components of net periodic benefit cost.

Interest Expense

In the three months ended June 30, 2023, interest expense increased by $46 million (17%) to $317 million compared to the same period in 2022 primarily due to:

- $26 million at SoCalGas from higher debt balances from debt issuances;
- $18 million at Parent and other from higher interest rates and borrowings on commercial paper; and
- $9 million at SDG&E primarily from higher debt balances from debt issuances.

In the six months ended June 30, 2023, interest expense increased by $169 million (33%) to $683 million compared to the same period in 2022 primarily due to:

- $61 million at Sempra Infrastructure primarily due to:
  - $47 million interest expense in 2023 comprised of $33 million net unrealized losses and a $14 million settlement on a contingent interest rate swap related to the PA LNG Phase 1 project that we discuss in Note 7 of the Condensed Consolidated Financial Statements, and
  - $44 million higher interest rates and borrowings on committed lines of credit, *offset by*
  - $26 million higher net capitalized interest from projects under construction; and
- $55 million at SoCalGas from higher debt balances from debt issuances and higher interest rates;
- $32 million at Parent and other from higher interest rates and borrowings on commercial paper and higher debt balances from debt issuances; and
- $21 million at SDG&E primarily from higher debt balances from debt issuances.

Income Taxes

The table below shows the income tax expense and ETRs for Sempra, SDG&E and SoCalGas.

INCOME TAX EXPENSE (BENEFIT) AND EFFECTIVE INCOME TAX RATES
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sempra:				
Income tax expense	$ 175	$ 80	$ 551	$ 414
Income before income taxes and equity earnings	$ 523	$ 364	$ 1,852	$ 1,029
Equity earnings, before income tax[(1)]	153	159	285	302
Pretax income	$ 676	$ 523	$ 2,137	$ 1,331
Effective income tax rate	26 %	15 %	26 %	31 %
SDG&E:				
Income tax expense	$ 4	$ 42	$ 11	$ 106
Income before income taxes	$ 188	$ 218	$ 453	$ 516
Effective income tax rate	2 %	19 %	2 %	21 %
SoCalGas:				
Income tax (benefit) expense	$ (21)	$ 19	$ 73	$ 103
Income before income taxes	$ 135	$ 107	$ 589	$ 525
Effective income tax rate	(16)%	18 %	12 %	20 %

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

Under the IRA, beginning in 2023, the scope of projects eligible for investment tax credits was expanded to include standalone energy storage projects. The IRA also provided an election that prospectively permits investment tax credits related to standalone energy storage projects to be returned to utility customers over a period that is shorter than the life of the applicable asset. Under this election, SDG&E recorded a regulatory liability to offset these investment tax credits, which reduced SDG&E’s and Sempra’s ETR in 2023.

On April 14, 2023, the IRS issued Revenue Procedure 2023-15, which provides a safe harbor method of accounting for gas repairs expenditures. As a result of this Revenue Procedure, SoCalGas updated its assessment of prior years’ unrecognized income tax benefits and, in the three months and six months ended June 30, 2023, recorded an income tax benefit of $43 million for previously unrecognized income tax benefits pertaining to gas repairs expenditures. SoCalGas recorded an associated regulatory liability for the portion that will benefit customers in the future. We are assessing the potential future impacts of this Revenue Procedure.

Sempra

In the three months ended June 30, 2023, Sempra's income tax expense increased by $95 million compared to the same period in 2022 primarily due to:

- $117 million income tax expense in 2023 compared to $14 million income tax expense in 2022 from foreign currency and inflation effects on our monetary positions in Mexico;
- $30 million income tax benefit in 2022 from changes to a valuation allowance against certain tax credit carryforwards; and
- higher pretax income; **offset by**
- $43 million income tax benefits in 2023 from the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures; and
- income tax benefit in 2023 from the recognition of investment tax credits from standalone energy storage projects.

In the six months ended June 30, 2023, Sempra's income tax expense increased by $137 million (33%) compared to the same period in 2022 primarily due to:

- $252 million income tax expense in 2023 compared to $84 million income tax expense in 2022 from foreign currency and inflation effects on our monetary positions in Mexico;
- $34 million income tax benefit in 2022 from the remeasurement of certain deferred income taxes;
- $30 million income tax benefit in 2022 from changes to a valuation allowance against certain tax credit carryforwards; and
- higher pretax income; **offset by**
- $120 million deferred income tax expense in 2022 associated with the change in our indefinite reinvestment assertion related to our foreign subsidiaries;
- $43 million income tax benefits in 2023 from the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures; and
- income tax benefit in 2023 from the recognition of investment tax credits from standalone energy storage projects.

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

SDG&E

In the three months and six months ended June 30, 2023, SDG&E's income tax expense decreased by $38 million and $95 million, respectively, compared to the same periods in 2022 primarily due to an income tax benefit in 2023 from the recognition of investment tax credits from standalone energy storage projects and lower pretax income.

SoCalGas

In the three months ended June 30, 2023, SoCalGas' income tax benefit compared to income tax expense in the same period in 2022 was primarily due to the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures.

In the six months ended June 30, 2023, SoCalGas' income tax expense decreased by $30 million (29%) compared to the same period in 2022 primarily due to the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures, offset by higher pretax income.

Equity Earnings

In the three months ended June 30, 2023, equity earnings increased by $13 million (3%) to $388 million compared to the same period in 2022 primarily due to:

- $60 million higher equity earnings at TAG due to higher revenues, including the cumulative impact of new tariffs going into effect, offset by higher income tax expense; **offset by**
- $24 million lower equity earnings at Oncor Holdings driven by:
  - higher interest expense and depreciation expense attributable to invested capital, and
  - higher O&M, *offset by*

  - higher revenues attributable to updates to transmission billing factors, new base rates implemented in May 2023 and customer growth, offset by lower revenues from decreased customer consumption primarily attributable to weather; and
- $17 million lower equity earnings at IMG due to higher income tax expense and interest expense.

In the six months ended June 30, 2023, equity earnings decreased by $94 million (13%) to $607 million compared to the same period in 2022 primarily due to:

- $103 million lower equity earnings at Oncor Holdings driven by:
  - write-off of rate base disallowances in 2023 resulting from the PUCT's final order in Oncor's comprehensive base rate review,
  - higher interest expense and depreciation expense attributable to invested capital, and
  - higher O&M, *offset by*
  - higher revenues attributable to updates to transmission billing factors, new base rates implemented in May 2023 and customer growth, offset by lower revenues from decreased customer consumption primarily attributable to weather; and
- $34 million lower equity earnings at IMG due to higher income tax expense, foreign currency effects, including $11 million foreign currency gains in 2022 on IMG's Mexican peso-denominated loans from its JV owners, which is fully offset in other income (expense), net and interest expense; **offset by**
- $60 million higher equity earnings at TAG due to higher revenues, including the cumulative impact of new tariffs going into effect, offset by higher income tax expense.

Earnings Attributable to Noncontrolling Interests

In the three months ended June 30, 2023, earnings attributable to NCI increased by $33 million (38%) to $121 million compared to the same period in 2022 primarily due to:

- $27 million increase as a result of a decrease in our ownership interest in SI Partners and SI Partners subsidiaries; and
- $6 million increase due to an increase in SI Partners' net income.

In the six months ended June 30, 2023, earnings attributable to NCI increased by $191 million to $313 million compared to the same period in 2022 primarily due to:

- $100 million increase due to an increase in SI Partners' net income; and
- $91 million increase as a result of a decrease in our ownership interest in SI Partners and SI Partners subsidiaries.

IMPACT OF FOREIGN CURRENCY AND INFLATION RATES ON RESULTS OF OPERATIONS

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

Foreign Currency Translation

Any difference in average exchange rates used for the translation of income statement activity from year to year can cause a variance in Sempra's comparative results of operations. In the three months and six months ended June 30, 2023, the change in our earnings as a result of foreign currency translation rates was $1 million and $2 million higher, respectively, compared to the same periods in 2022.

Transactional Impacts

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

TRANSACTIONAL GAINS (LOSSES) FROM FOREIGN CURRENCY AND INFLATION EFFECTS
(Dollars in millions)

	Total reported amounts		Transactional gains (losses) included in reported amounts	
	Three months ended June 30,			
	2023	2022	2023	2022
Other income (expense), net	$ 31	$ (1)	$ 2	$ (4)
Income tax expense	(175)	(80)	(117)	(14)
Equity earnings	388	375	(20)	—
Net income	736	659	(135)	(18)
Earnings attributable to noncontrolling interests	(121)	(88)	42	2
Earnings attributable to common shares	603	559	(93)	(16)
	Six months ended June 30,			
	2023	2022	2023	2022
Other income (expense), net	$ 72	$ 37	$ 8	$ (17)
Income tax expense	(551)	(414)	(252)	(84)
Equity earnings	607	701	(51)	(12)
Net income	1,908	1,316	(295)	(113)
Earnings attributable to noncontrolling interests	(313)	(122)	93	22
Earnings attributable to common shares	1,572	1,171	(202)	(91)

CAPITAL RESOURCES AND LIQUIDITY

OVERVIEW

Sempra

Liquidity

We expect to meet our cash requirements through cash flows from operations, unrestricted cash and cash equivalents, borrowings under or supported by our credit facilities, other incurrences of debt which may include issuing debt securities and obtaining term loans, other financing transactions which may include issuing equity securities, distributions from our equity method investments, project financing and funding from minority interest owners. We believe that these cash flow sources, combined with available funds, will be adequate to fund our operations in both the short-term and long-term, including to:

- finance capital expenditures
- repay debt
- fund dividends
- fund contractual and other obligations and otherwise meet liquidity requirements
- fund capital contribution requirements
- fund new business or asset acquisitions or start-ups

Sempra, SDG&E and SoCalGas currently have reasonable access to the money markets and capital markets and are not currently constrained in their ability to borrow money at market rates from commercial banks, under existing revolving credit facilities, through public offerings of debt securities registered with the SEC, or through private placements of debt supported by our revolving credit facilities in the case of commercial paper. However, our ability to access the money markets and capital markets or obtain credit from commercial banks outside of our committed revolving credit facilities could become materially constrained if economic conditions or disruptions to or volatility in the money markets and capital markets worsen. These sources of funding have become less attractive due to the recent rise in both short-term and long-term interest rates. In addition, our financing activities and actions by credit rating agencies, as well as many other factors, could negatively affect the availability and cost of both short-term and long-term debt financing and equity financing. Also, cash flows from operations may be impacted by the timing of commencement and completion, and potentially cost overruns, of large projects and other material events, such as the settlement of material litigation. If cash flows from operations were to be significantly reduced or we were unable to borrow or obtain other financing under acceptable terms, we would likely first reduce or postpone discretionary capital expenditures (not related to safety/reliability) and investments in new businesses. We monitor our ability to finance the needs of our operating, investing and financing activities in a manner consistent with our goal to maintain our investment-grade credit ratings.

Although we have not been impacted to date by the disruptions to the banking sector and resulting financial market instability, we cannot predict the broader or follow-on effects of recent bank failures. The disruption and uncertainty impacting the banking industry may result in reduced access to capital and increased costs of capital and could adversely affect our ability to secure financing arrangements and facilities. In addition, if the liquidity of our partners, customers or other counterparties is impacted by the disruptions in the banking sector, it may have a material adverse impact on our liquidity.

Available Funds

Our committed lines of credit provide liquidity and support commercial paper. Sempra, SDG&E and SoCalGas each have five-year credit agreements expiring in 2027 and Sempra Infrastructure has a three-year credit agreement expiring in 2024, committed lines of credit expiring in 2023, 2024 and 2030, and an uncommitted revolving credit facility expiring in 2024.

AVAILABLE FUNDS AT JUNE 30, 2023
(Dollars in millions)

	Sempra	SDG&E	SoCalGas
Unrestricted cash and cash equivalents[(1)]	$ 1,077	$ 332	$ 1
Available unused credit[(2)]	7,566	1,500	962

(1) Amounts at Sempra include $90 held in non-U.S. jurisdictions. We discuss repatriation in Note 8 of the Notes to Consolidated Financial Statements in the Annual Report.
(2) Available unused credit is the total available on committed and uncommitted lines of credit that we discuss in Note 6 of the Notes to Condensed Consolidated Financial Statements. Because our commercial paper programs are supported by these lines, we reflect the amount of commercial paper outstanding and any letters of credit outstanding as a reduction to the available unused credit.

Short-Term Borrowings

We use short-term debt primarily to meet liquidity requirements, fund shareholder dividends, and temporarily finance capital expenditures, acquisitions or start-ups. SDG&E and SoCalGas use short-term debt primarily to meet working capital needs or to help fund event-specific costs. Commercial paper, lines of credit and a term loan were our primary sources of short-term debt funding in the first six months of 2023.

We discuss our short-term debt activities in Note 6 of the Notes to Condensed Consolidated Financial Statements and below in “Sources and Uses of Cash.”

Long-Term Debt Activities

Significant issuances of and payments on long-term debt in the first six months of 2023 included the following:

LONG-TERM DEBT ISSUANCES AND PAYMENTS
(Dollars in millions)

Issuances:	Amount at issuance	Maturity
SDG&E 5.35% first mortgage bonds	$ 800	2053
Sempra Infrastructure variable rate notes (ECA LNG Phase 1 project)	133	2025
Sempra Infrastructure variable rate notes (PA LNG Phase 1 project)	228	2030
SoCalGas 5.20% first mortgage bonds	500	2033
SoCalGas 5.75% first mortgage bonds	500	2053
Sempra 5.40% senior unsecured notes	550	2026
Sempra 5.50% senior unsecured notes	700	2033

Payments:	Payments	Maturity
SoCalGas senior unsecured variable rate notes	$ 300	2023
Sempra Infrastructure 6.3% notes (4.124% after cross-currency swap)	208	2023

We discuss our long-term debt activities, including the use of proceeds on long-term debt issuances, in Note 6 of the Notes to Condensed Consolidated Financial Statements.

Credit Ratings

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

The credit ratings of Sempra, SDG&E and SoCalGas remained at investment grade levels in the first six months of 2023.

CREDIT RATINGS AT JUNE 30, 2023

	Sempra	SDG&E	SoCalGas
Moody's	Baa2 with a stable outlook	A3 with a stable outlook	A2 with a stable outlook
S&P	BBB+ with a stable outlook	BBB+ with a stable outlook	A with a negative outlook
Fitch	BBB+ with a stable outlook	BBB+ with a stable outlook	A with a stable outlook

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

Sempra has agreed that, if the credit rating of Oncor's senior secured debt by any of the three major rating agencies falls below BBB (or the equivalent), Oncor will suspend dividends and other distributions (except for contractual tax payments), unless otherwise allowed by the PUCT. Oncor's senior secured debt was rated A2, A+ and A at Moody's, S&P and Fitch, respectively, at June 30, 2023.

Loans to/from Affiliates

At June 30, 2023, Sempra had $287 million in loans due to unconsolidated affiliates.

Inflation Reduction Act of 2022

The IRA was signed into law in August 2022. The IRA includes tax credits and other incentives for energy and climate initiatives and introduces a 15% corporate alternative minimum tax on adjusted financial statement income for tax years beginning after December 31, 2022. We do not currently expect the IRA to have a material adverse impact on Sempra's, SDG&E's or SoCalGas' results of operations, financial condition and/or cash flows. We will continue to assess the impacts of the IRA as the U.S. Department of the Treasury and the IRS issue guidance on tax implementation, and the U.S. Environmental Protection Agency and DOE issue guidance on energy and climate initiatives.

Sempra California

SDG&E's and SoCalGas' operations have historically provided relatively stable earnings and liquidity. Their future performance and liquidity will depend primarily on the ratemaking and regulatory process, environmental regulations, economic conditions, actions by legislators, litigation and the changing energy marketplace, as well as other matters described in this report. SDG&E and SoCalGas expect that the available unused funds from their credit facilities described above, which also supports their commercial paper programs, cash flows from operations, and other incurrences of debt including issuing debt securities and obtaining term loans will continue to be adequate to fund their respective current operations and planned capital expenditures. SDG&E and SoCalGas manage their capital structures and pay dividends when appropriate and as approved by their respective boards of directors.

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

CPUC Cost of Capital

As we discuss in Note 4 of the Notes to the Condensed Consolidated Financial Statements, the CPUC approved the cost of capital for SDG&E and SoCalGas that became effective on January 1, 2023 and will remain in effect through December 31, 2025, subject to the CCM. The CPUC will open a second phase of this cost of capital proceeding to evaluate the CCM.

The CCM applies in the interim years between required cost of capital applications and considers changes in the cost of capital based on changes in interest rates using the applicable utility bond index published by Moody's (the CCM benchmark rate) for each 12-month period ending September 30 (the measurement period). The CCM benchmark rate is the basis of comparison to determine if the CCM is triggered, which occurs if the change in the applicable Moody's utility bond index relative to the CCM benchmark rate is larger than plus or minus 1.000% at the end of the measurement period. The index applicable to SDG&E and SoCalGas is based on each utility's credit rating. For the measurement period that ends on September 30, 2023, SDG&E's CCM benchmark rate is 4.367% based on Moody's Baa- utility bond index and SoCalGas' CCM benchmark rate is 4.074% based on Moody's A- utility bond index. SDG&E's and SoCalGas' average bond index rates for the period from October 1, 2022 through June 30, 2023 were more than 1.000% above their respective CCM benchmark rates. The CCM, if triggered on September 30, 2023, would, subject to regulatory approval, increase the authorized rate of return, including the cost of debt and return on equity, effective January 1, 2024.

SDG&E

Wildfire Fund

The carrying value of SDG&E's Wildfire Fund asset totaled $317 million at June 30, 2023. We describe the Wildfire Legislation and SDG&E's commitment to make annual shareholder contributions to the Wildfire Fund through 2028 in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

SDG&E is exposed to the risk that the participating California electric IOUs may incur third-party wildfire costs for which they will seek recovery from the Wildfire Fund with respect to wildfires that have occurred since enactment of the Wildfire Legislation in July 2019. In such a situation, SDG&E may recognize a reduction of its Wildfire Fund asset and record an impairment charge against earnings when available coverage is reduced due to recoverable claims from any of the participating IOUs. Pacific Gas and Electric Company has indicated that it will seek reimbursement from the Wildfire Fund for losses associated with the Dixie Fire, which burned from July 2021 through October 2021 and was reported to be the largest single wildfire (measured by acres burned) in California history. If any California electric IOU's equipment is determined to be a cause of a fire, it could have a material adverse effect on SDG&E's and Sempra's financial condition and results of operations up to the carrying value of our Wildfire Fund asset, with additional potential material exposure if SDG&E's equipment is determined to be a cause of a fire. In addition, the Wildfire Fund could be completely exhausted due to fires in the other California electric IOUs' service territories, by fires in SDG&E's service territory or by a combination thereof. In the event that the Wildfire Fund is materially diminished, exhausted or terminated, SDG&E will lose the protection afforded by the Wildfire Fund, and as a consequence, a fire in SDG&E's service territory could have a material adverse effect on SDG&E's and Sempra's results of operations, financial condition, cash flows and/or prospects.

Off-Balance Sheet Arrangements

SDG&E has entered into PPAs and tolling agreements that are variable interests in unconsolidated entities. We discuss variable interests in Note 1 of the Notes to Condensed Consolidated Financial Statements.

SoCalGas

Aliso Canyon Natural Gas Storage Facility Gas Leak

SoCalGas' future performance and liquidity may be impacted by the resolution of legal, regulatory and other matters pertaining to the Leak, which we discuss below and in Note 10 of the Notes to Condensed Consolidated Financial Statements in this report and in "Part I – Item 1A. Risk Factors" in the Annual Report.

Insurance and Accounting and Other Impacts. Since 2015, SoCalGas has incurred significant costs related to the Leak, including costs to defend against and settle civil litigation arising from the Leak. Other than insurance for directors' and officers' liability, we have exhausted all of our insurance for this matter. We continue to pursue other sources of insurance coverage for costs related to this matter, but we may not be successful in obtaining additional insurance recovery for any of these costs.

At June 30, 2023, $126 million is accrued in Reserve for Aliso Canyon Costs and $2 million is accrued in Deferred Credits and Other on SoCalGas' and Sempra's Condensed Consolidated Balance Sheets. These accruals do not include any amounts beyond what has been estimated to resolve the matters that we describe in "Litigation" and "Regulatory Proceedings" nor any amounts that may be necessary to resolve threatened litigation, other potential litigation or other costs, in each case to the extent it is not possible to predict at this time the outcome of these actions or reasonably estimate the possible costs or a range of possible costs. Further, we are not able to reasonably estimate the possible loss or a range of possible losses in excess of the amounts accrued, which could be significant.

An adverse outcome with respect to (i) the litigation we describe under “Litigation,” (ii) the unresolved proceeding pursuant to the SB 380 OII we describe under “Regulatory Proceedings,” (iii) the Leak OII we describe under “Regulatory Proceeding – Subject to an Agreement to Resolve,” if approval of the negotiated settlement is not obtained, or (iv) threatened or other potential litigation related to the Leak, in each case that we discuss in Note 10 of the Notes to the Condensed Consolidated Financial Statements could have a material adverse effect on SoCalGas’ and Sempra’s results of operations, financial condition, cash flows and/or prospects.

Natural Gas Storage Operations and Reliability. Natural gas withdrawn from storage is important for service reliability during peak demand periods, including peak electric generation needs in the summer and consumer heating needs in the winter. The Aliso Canyon natural gas storage facility is the largest SoCalGas storage facility and an important component of SoCalGas’ delivery system. In February 2017, the CPUC opened a proceeding pursuant to the SB 380 OII to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility while still maintaining energy and electric reliability for the region, including considering alternative means for meeting or avoiding the demand for the facility’s services if it were eliminated.

At June 30, 2023, the Aliso Canyon natural gas storage facility had a net book value of $976 million. If the Aliso Canyon natural gas storage facility were to be permanently closed or if future cash flows from its operation were otherwise insufficient to recover its carrying value, we may record an impairment of the facility, which could be material, or we could incur materially higher than expected operating costs and/or be required to make material additional capital expenditures (any or all of which may not be recoverable in rates), and natural gas reliability and electric generation could be jeopardized.

Sempra Texas Utilities

Oncor relies on external financing as a significant source of liquidity for its capital requirements. In the event that Oncor fails to meet its capital requirements, access sufficient capital, or raise capital on favorable terms to finance its ongoing needs, we may elect to make additional capital contributions to Oncor (as our commitments to the PUCT prohibit us from making loans to Oncor), which could be substantial and reduce the cash available to us for other purposes, increase our indebtedness and ultimately materially adversely affect our results of operations, financial condition, cash flows and/or prospects. Oncor’s ability to make distributions may be limited by factors such as its credit ratings, regulatory capital requirements, increases in its capital plan, debt-to-equity ratio approved by the PUCT and other restrictions and considerations. In addition, Oncor will not make distributions if a majority of Oncor’s independent directors or any minority member director determines it is in the best interests of Oncor to retain such amounts to meet expected future requirements.

Capital Structure and Return on Equity

On April 6, 2023, the PUCT issued a final order in Oncor’s comprehensive base rate review. The final order sets Oncor’s authorized ROE at 9.7%, a decrease from its previously authorized ROE of 9.8%, and maintains Oncor’s authorized regulatory capital structure at 57.5% debt to 42.5% equity. The new rates became effective on May 1, 2023. On June 30, 2023, the PUCT issued an order on rehearing in response to the motions for rehearing filed by Oncor and certain intervenor parties in the proceeding. The order on rehearing made certain technical and typographical corrections to the final order but otherwise affirmed the material provisions of the final order and did not require modification of the rates that went into effect on May 1, 2023. The order on rehearing is subject to motions for rehearing and appeals.

Off-Balance Sheet Arrangement

Our investment in Oncor Holdings is a variable interest in an unconsolidated entity. We discuss variable interests in Note 1 of the Notes to Condensed Consolidated Financial Statements.

Sempra Infrastructure

Sempra Infrastructure expects to fund capital expenditures, investments and operations in part with available funds, including credit facilities, and cash flows from operations of the Sempra Infrastructure businesses. We expect Sempra Infrastructure will require additional funding for the development and expansion of its portfolio of projects, which may be financed through a combination of funding from the parent and minority interest owners, bank financing, issuances of debt, project financing, partnering in JVs and asset sales.

In the six months ended June 30, 2023, Sempra Infrastructure distributed $252 million to minority shareholders and minority shareholders contributed $729 million to Sempra Infrastructure.

LNG and Net-Zero Solutions

Cameron LNG Phase 2 Project. Cameron LNG JV is developing a proposed expansion project that would add one liquefaction train with an expected maximum production capacity of approximately 6.75 Mtpa and would increase the production capacity of the existing three trains at the Cameron LNG Phase 1 facility by up to approximately 1 Mtpa through debottlenecking activities. The Cameron LNG JV site can accommodate additional trains beyond the proposed Cameron LNG Phase 2 project.

Cameron LNG JV previously received major permits and FTA and non-FTA approvals associated with the potential expansion that included up to two additional liquefaction trains and up to two additional full containment LNG storage tanks. The non-FTA approval for the proposed Cameron LNG Phase 2 project includes, among other things, a May 2026 deadline to commence commercial exports, for which we expect to request an extension. In March 2023, the FERC approved Cameron LNG JV's request to amend the permits to allow the use of electric drives, instead of gas turbine drives, which would reduce overall emissions. The amendment also allows the design to be changed from a two-train gas turbine expansion to a one-train electric drive expansion along with other design enhancements that, together, are expected to result in a more cost-effective and efficient facility, while also reducing overall GHG emissions.

Sempra Infrastructure and the other Cameron LNG JV members, namely affiliates of TotalEnergies SE, Mitsui & Co., Ltd. and Japan LNG Investment, LLC, a company jointly owned by Mitsubishi Corporation and Nippon Yusen Kabushiki Kaisha, have entered into a non-binding HOA for the potential development of the Cameron LNG Phase 2 project. The non-binding HOA provides a commercial framework for the proposed project, including the contemplated allocation to Sempra Infrastructure of 50.2% of the fourth train production capacity and 25% of the debottlenecking capacity from the project under tolling agreements. The non-binding HOA contemplates the remaining capacity to be allocated equally to the existing Cameron LNG Phase 1 facility customers. Sempra Infrastructure plans to sell the LNG corresponding to its allocated capacity from the proposed Cameron LNG Phase 2 project under long-term SPAs prior to making a final investment decision. The ultimate participation in and offtake by Sempra Infrastructure, TotalEnergies SE, Mitsui & Co., Ltd. and Japan LNG Investment, LLC remain subject to negotiation and finalization of definitive agreements, among other factors, and the non-binding HOA does not commit any party to enter into definitive agreements with respect to the proposed Cameron LNG Phase 2 project.

Sempra Infrastructure, the other Cameron LNG JV members, and Cameron LNG JV have entered into a Phase 2 Project Development Agreement under which Sempra Infrastructure, subject to certain conditions and ongoing approvals by the Cameron LNG JV board, will manage and lead the Cameron LNG Phase 2 project development work until Cameron LNG JV makes a final investment decision.

In April 2022, Cameron LNG JV, upon the unanimous approval of the Cameron LNG JV board, awarded two FEED contracts, one to Bechtel and the other to a joint venture between JGC America Inc. and Zachry Industrial Inc.

In connection with the execution of the Phase 2 Project Development Agreement and the award of the FEED contracts, the Cameron LNG JV board unanimously approved an expansion development budget to fund, subject to the terms of the Phase 2 Project Development Agreement, development work to prepare for a potential final investment decision.

In July 2023, Cameron LNG JV informed Bechtel that it has been selected to perform additional value engineering work on the proposed Cameron LNG Phase 2 project, which we expect will continue through the fall of 2023. The parties are negotiating the terms and conditions of a definitive EPC contract for the project. The current arrangement with Bechtel does not commit any party to enter into a definitive EPC contract or to otherwise participate in the project.

Cameron LNG JV has entered into a non-binding MOU with Entergy Louisiana, LLC, a subsidiary of Entergy Corporation, to negotiate the terms and conditions for a new electric service agreement intended to reduce Cameron LNG JV's scope 2 emissions from the electricity it purchases from Entergy Louisiana, LLC. The non-binding MOU sets forth a framework for Entergy Louisiana, LLC and Cameron LNG JV to finalize and sign a minimum 20-year agreement for the procurement of new renewable generation resources in Louisiana, subject to the ultimate approval of the Louisiana Public Service Commission and Cameron LNG JV. The ultimate arrangement between Cameron LNG JV and Entergy Louisiana, LLC remains subject to negotiation and finalization of definitive agreements, among other factors, and the non-binding MOU does not commit any party to enter into definitive agreements with respect to the proposed electric services agreement.

Sempra Infrastructure has entered into a non-binding HOA for the negotiation and potential finalization of a definitive 20-year SPA with ORLEN for 2 Mtpa of LNG offtake from the proposed Cameron LNG Phase 2 project. The ultimate participation in and offtake from the proposed project remains subject to negotiation and finalization of a definitive agreement, among other factors, and the non-binding HOA does not commit any party to enter into a definitive agreement with respect to the proposed project. Sempra Infrastructure also entered into a non-binding HOA with Williams for the negotiation of potential LNG offtake from, and feed gas supply to, the PA LNG Phase 2 project and Cameron LNG Phase 2 project that are under development, as well as a potential strategic JV related to the existing Cameron Interstate Pipeline and the proposed Port Arthur Pipeline Louisiana Connector. The term of this non-binding HOA ended in March 2023.

Expansion of the Cameron LNG Phase 1 facility beyond the first three trains is subject to certain restrictions and conditions under the JV project financing agreements, including among others, scope restrictions on expansion of the project unless appropriate prior consent is obtained from the existing project lenders. Under the Cameron LNG JV equity agreements, the expansion of the project requires the unanimous consent of all the partners, including with respect to the equity investment obligation of each partner. Working under the framework established in the Phase 2 Project Development Agreement, Sempra Infrastructure and the other Cameron LNG JV members are investing additional time upfront to reduce construction risk and project costs and better optimize the construction schedule. We expect this process to continue through the fall of 2023 and expect to be in a position to make a final investment decision in 2024, subject to executing an EPC contract, securing project financing, and extending the commercial export deadline under the project's non-FTA approval. The timing of when or if Cameron LNG JV will receive approval from the existing project lenders to conduct the expansion under its financing agreements is uncertain, and there is no assurance that Sempra Infrastructure will complete the necessary development work, sufficiently reduce construction risks and project costs, or that the Cameron LNG JV members will unanimously agree in a timely manner or at all on making a final investment decision, which, if not accomplished, would materially and adversely impact the development of the Cameron LNG Phase 2 project.

Development of the proposed Cameron LNG Phase 2 project is subject to numerous risks and uncertainties, including securing binding customer commitments; reaching unanimous agreement with our partners to proceed; obtaining, modifying and maintaining permits and regulatory approvals; sufficiently reducing construction risks and project costs; securing certain consents under the existing financing agreements and obtaining sufficient new financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, tolling and governance agreements; reaching a positive final investment decision; and other factors associated with this potential investment. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

ECA LNG Phase 1 Project. SI Partners owns an 83.4% interest in ECA LNG Phase 1, and an affiliate of TotalEnergies SE owns the remaining 16.6% interest. ECA LNG Phase 1 is constructing a one-train natural gas liquefaction facility at the site of Sempra Infrastructure's existing ECA Regas Facility with a nameplate capacity of 3.25 Mtpa and an initial offtake capacity of 2.5 Mtpa. We do not expect the construction or operation of the ECA LNG Phase 1 project to disrupt operations at the ECA Regas Facility. We expect the ECA LNG Phase 1 project to commence commercial operations in the summer of 2025.

We received authorizations from the DOE to export U.S.-produced natural gas to Mexico and to re-export LNG to non-FTA countries from the ECA LNG Phase 1 project. ECA LNG Phase 1 has definitive 20-year SPAs with an affiliate of TotalEnergies SE for approximately 1.7 Mtpa of LNG and with Mitsui & Co., Ltd. for approximately 0.8 Mtpa of LNG.

In February 2020, we entered into an EPC contract with Technip Energies for the ECA LNG Phase 1 project. Since reaching a positive final investment decision with respect to the project in November 2020, Technip Energies has been working to construct the ECA LNG Phase 1 project. We estimate the total price of the EPC contract to be approximately $1.5 billion, with capital expenditures approximating $2 billion including capitalized interest and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ substantially from our estimates.

ECA LNG Phase 1 has a five-year loan agreement with a syndicate of seven external lenders that matures in December 2025 for an aggregate principal amount of up to $1.3 billion, of which $708 million was outstanding at June 30, 2023. Proceeds from the loan are being used to finance the cost of construction of the ECA LNG Phase 1 project. We discuss the details of this loan in Note 6 of the Notes to Condensed Consolidated Financial Statements in this report and in Note 7 of the Notes to Consolidated Financial Statements in the Annual Report.

Construction of the ECA LNG Phase 1 project is subject to numerous risks and uncertainties, including maintaining permits and regulatory approvals; construction delays; negotiating, completing and maintaining suitable commercial agreements, including definitive gas supply and transportation agreements; the impact of recent and proposed changes to the law in Mexico; as we discuss in Note 10 of the Notes to Condensed Consolidated Financial Statements, an unfavorable decision on certain property disputes and permit challenges that could materially adversely affect construction of this project; and other factors associated with the project and its construction. An unfavorable outcome with respect to any of these factors could have a material adverse effect on Sempra's results of operations, financial condition, cash flows and/or prospects, including the impairment of all or a substantial portion of the capital costs invested in the project to date. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

ECA LNG Phase 2 Project. Sempra Infrastructure is developing a second, large-scale natural gas liquefaction project at the site of its existing ECA Regas Facility. We expect the proposed ECA LNG Phase 2 project to be comprised of two trains and one

LNG storage tank and produce approximately 12 Mtpa of export capacity. We expect that construction of the proposed ECA LNG Phase 2 project would conflict with the current operations at the ECA Regas Facility, which currently has long-term regasification contracts for 100% of the regasification facility's capacity through 2028. This makes the decisions on whether, when and how to pursue the proposed ECA LNG Phase 2 project dependent in part on whether the investment in a large-scale liquefaction facility would, over the long term, be more beneficial financially than continuing to supply regasification services under our existing contracts.

We received authorizations from the DOE to export U.S.-produced natural gas to Mexico and to re-export LNG to non-FTA countries from the proposed ECA LNG Phase 2 project.

We have non-binding MOUs and/or HOAs with Mitsui & Co., Ltd., TotalEnergies SE, and ConocoPhillips that provide a framework for their potential offtake of LNG from the proposed ECA LNG Phase 2 project and potential acquisition of an equity interest in ECA LNG Phase 2. The ultimate participation in and offtake by these parties remains subject to negotiation and finalization of definitive agreements, among other factors, and the non-binding MOUs and/or HOAs do not commit any party to enter into definitive agreements with respect to the proposed ECA LNG Phase 2 project.

Development of the proposed ECA LNG Phase 2 project is subject to numerous risks and uncertainties, including securing binding customer commitments; obtaining and maintaining permits and regulatory approvals; obtaining financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, equity acquisition, governance, LNG sales, gas supply and transportation agreements; reaching a positive final investment decision; the impact of recent and proposed changes to the law in Mexico; the property disputes and permit challenges that we reference in the ECA LNG Phase 1 project discussion above; and other factors associated with this potential investment. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

PA LNG Phase 1 Project. Since making a positive final investment decision in March 2023, Sempra Infrastructure is constructing a natural gas liquefaction project on a greenfield site that it owns in the vicinity of Port Arthur, Texas, located along the Sabine-Neches waterway. The PA LNG Phase 1 project will consist of two liquefaction trains, two LNG storage tanks, a marine berth and associated loading facilities and related infrastructure necessary to provide liquefaction services with a nameplate capacity of approximately 13 Mtpa and an initial offtake capacity of approximately 10.5 Mtpa. We expect the first and second trains of the PA LNG Phase 1 project to commence commercial operations in 2027 and 2028, respectively.

In April 2019, the FERC approved the siting, construction and operation of the PA LNG Phase 1 project facilities, along with certain natural gas pipelines, including the Port Arthur Pipeline Louisiana Connector and Texas Connector, that could be used to supply feed gas to the liquefaction facility when the project is completed. Sempra Infrastructure received authorizations from the DOE in August 2015 and May 2019 that collectively permit the LNG to be produced from the PA LNG Phase 1 project to be exported to all current and future FTA and non-FTA countries. In June 2023, Port Arthur LNG submitted an amendment to its FERC order requesting authorization to increase its work force and implement a 24-hours-per-day construction schedule in order to further enhance construction efficiency while minimizing temporal impacts to the community and environment in the vicinity of the project. If approved, the amendment would also provide the EPC contractor with more optionality to meet or exceed the project's construction schedule, subject to the timing of FERC approval of the amendment.

Sempra Infrastructure has definitive SPAs for LNG offtake from the PA LNG Phase 1 project with:

- an affiliate of ConocoPhillips for a 20-year term for 5 Mtpa of LNG, as well as a natural gas supply management agreement whereby an affiliate of ConocoPhillips will manage the feed gas supply requirements for the facility.
- RWE Supply & Trading GmbH, a subsidiary of RWE AG, for a 15-year term for 2.25 Mtpa of LNG.
- INEOS for a 20-year term for approximately 1.4 Mtpa of LNG.
- ORLEN for a 20-year term for approximately 1 Mtpa of LNG.
- ENGIE S.A. for a 15-year term for approximately 0.875 Mtpa of LNG.

In February 2020, we entered into an EPC contract, as amended and restated in October 2022, with Bechtel for the PA LNG Phase 1 project. In March 2023, we issued a final notice to proceed under the EPC contract, which has an estimated price of approximately $10.7 billion after change orders. We estimate the capital expenditures for the PA LNG Phase 1 project will be approximately $13 billion including capitalized interest at the project level and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ substantially from our estimates.

As we discuss in Note 1 of the Notes to Condensed Consolidated Financial Statements, in March 2023, an indirect subsidiary of SI Partners completed the sale of an indirect 30% NCI in the PA LNG Phase 1 project to an affiliate of ConocoPhillips for aggregate cash consideration of approximately $265 million, subject to customary post-closing adjustments. We used the proceeds from this sale for capital expenditures and other general corporate purposes. In connection with this sale, both SI Partners and

ConocoPhillips provided guarantees relating to their respective affiliate's commitment to make its pro rata equity share of capital contributions to fund 110% of the development budget of the PA LNG Phase 1 project, in an aggregate amount of up to $9.0 billion. SI Partners' guarantee covers 70% of this amount plus enforcement costs of its guarantee.

In March 2023, an indirect subsidiary of SI Partners entered into an agreement for the sale to KKR Denali of an indirect interest in the PA LNG Phase 1 project. KKR Denali intends to acquire a 42% indirect interest in the PA LNG Phase 1 project for approximately $108 million, plus its pro rata equity share of development costs incurred prior to the closing that exceed $439 million, subject to customary post-closing adjustments. We are targeting the closing of the sale of NCI to KKR Denali in the third quarter of 2023, subject to regulatory approvals and other closing conditions. If the closing conditions are satisfied and KKR Denali fails to complete the closing, then KKR Denali must pay a termination fee of $130 million.

Upon closing of the sale of NCI to KKR Denali, Sempra would hold an indirect interest in the PA LNG Phase 1 project of 19.6%.

As we discuss in Note 6 of the Notes to Condensed Consolidated Financial Statements, in March 2023, Port Arthur LNG entered into a seven-year term loan facility agreement with a syndicate of lenders for an aggregate principal amount of approximately $6.8 billion and an initial working capital facility agreement for up to $200 million. The facilities mature on March 20, 2030. Proceeds from the loans will be used to finance the cost of construction of the PA LNG Phase 1 project. At June 30, 2023, $228 million of borrowings were outstanding under the term loan facility agreement.

Construction of the PA LNG Phase 1 project is subject to numerous risks and uncertainties, including maintaining and modifying permits and regulatory approvals; construction delays; negotiating, completing and maintaining suitable commercial agreements, including definitive gas supply and transportation agreements; and other factors associated with the project and its construction. Additionally, closing of the sale of NCI to KKR Denali is subject to regulatory approvals and other closing conditions, any of which, if not received or satisfied, could prevent the consummation of the sale. An unfavorable outcome with respect to any of these factors could have a material adverse effect on Sempra's results of operations, financial condition, cash flows and/or prospects, including the impairment of all or a substantial portion of the capital costs invested in the project to date. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

PA LNG Phase 2 Project. Sempra Infrastructure is developing a second phase of the natural gas liquefaction project that we expect will be a similar size to the PA LNG Phase 1 project. We are progressing the development of the proposed PA LNG Phase 2 project, while continuing to evaluate overall opportunities to develop the entirety of the Port Arthur site as well as potential design changes that could reduce overall emissions, including a facility design utilizing renewable power sourcing and other technological solutions.

In February 2020, Sempra Infrastructure filed an application, subject to approval by the FERC, for the siting, construction and operation of the proposed PA LNG Phase 2 project, including the potential addition of up to two liquefaction trains. Also in February 2020, Sempra Infrastructure filed an application with the DOE to permit LNG produced from the proposed PA LNG Phase 2 project to be exported to all current and future FTA and non-FTA countries.

Sempra Infrastructure has entered into a non-binding HOA for the negotiation and potential finalization of a definitive SPA with INEOS for approximately 0.2 Mtpa of LNG offtake from the proposed PA LNG Phase 2 project. The ultimate participation in and offtake from the proposed project remains subject to negotiation and finalization of a definitive agreement, among other factors, and the non-binding HOA does not commit any party to enter into a definitive agreement with respect to the proposed project.

Development of the proposed PA LNG Phase 2 project is subject to numerous risks and uncertainties, including securing binding customer commitments; identifying suitable project and equity partners; obtaining and maintaining permits and regulatory approvals, including approval from the FERC; obtaining financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, equity acquisition, governance, LNG sales, gas supply and transportation agreements; reaching a positive final investment decision; and other factors associated with this potential investment. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

Vista Pacifico LNG Liquefaction Project. Sempra Infrastructure is developing the Vista Pacifico LNG project, a potential natural gas liquefaction, storage, and mid-scale export facility proposed to be located in the vicinity of Topolobampo in Sinaloa, Mexico, under a non-binding MOU with the CFE, which was subsequently updated in July 2022, that contemplates the negotiation of definitive agreements that would cover development of the Vista Pacifico LNG project and the re-routing of a portion of the Guaymas-El Oro segment of the Sonora pipeline and resumption of its operations. The proposed LNG export terminal would be supplied with U.S. natural gas and would use excess natural gas and pipeline capacity on existing pipelines in Mexico with the intent of helping to meet growing demand for natural gas and LNG in the Mexican and Pacific markets.

Sempra Infrastructure received authorization from the DOE to permit the export of U.S.-produced natural gas to Mexico and for LNG produced from the proposed Vista Pacifico LNG facility to be re-exported to all current and future FTA countries in April 2021 and non-FTA countries in December 2022.

In March 2022, TotalEnergies SE and Sempra Infrastructure entered into a non-binding MOU that contemplates TotalEnergies SE potentially contracting approximately one-third of the long-term export production of the proposed Vista Pacifico LNG project and potentially participating as a minority partner in the project.

The ultimate participation in and offtake from the proposed project remain subject to negotiation and finalization of definitive agreements, among other factors, and the non-binding MOUs do not commit any party to enter into definitive agreements with respect to the project.

Development of the proposed Vista Pacifico LNG project is subject to numerous risks and uncertainties, including securing binding customer commitments; identifying suitable project and equity partners; obtaining and maintaining permits and regulatory approvals; obtaining financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, equity acquisition, governance, LNG sales, gas supply and transportation agreements; reaching a positive final investment decision; the impact of recent and proposed changes to the law in Mexico; and other factors associated with this potential investment. For a discussion of these risks, see “Part I – Item 1A. Risk Factors” in the Annual Report.

Hackberry Carbon Sequestration Project. Sempra Infrastructure is developing the potential Hackberry Carbon Sequestration project near Hackberry, Louisiana. This proposed project under development is designed to permanently sequester carbon dioxide from the Cameron LNG Phase 1 facility and the proposed Cameron LNG Phase 2 project. In the third quarter of 2021, Sempra Infrastructure filed an application with the EPA for a Class VI carbon injection well to advance this project.

In May 2022, Sempra Infrastructure, TotalEnergies SE, Mitsui & Co., Ltd. and Mitsubishi Corporation signed a Participation Agreement for the development of the proposed Hackberry Carbon Sequestration project. In May 2023, the Participation Agreement was amended and restated in connection with ongoing progress of the work program and budget for the proposed project. The Participation Agreement contemplates that the combined Cameron LNG Phase 1 facility and proposed Cameron LNG Phase 2 project would potentially serve as the anchor source for the capture and sequestration of carbon dioxide by the proposed project. It also provides the basis for the parties to acquire an equity interest by entering into a JV with Sempra Infrastructure for the Hackberry Carbon Sequestration project. In addition to the amended and restated Participation Agreement, in May 2023, Sempra Infrastructure and Cameron LNG JV entered into a non-binding HOA, which sets forth a framework for further development of the Hackberry Carbon Sequestration project.

Development of the proposed Hackberry Carbon Sequestration project is subject to numerous risks and uncertainties, including securing binding customer commitments; obtaining required consents from the Cameron LNG JV members; identifying suitable project and equity partners; obtaining and maintaining permits and regulatory approvals; obtaining financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, equity acquisition and governance agreements; reaching a positive final investment decision; and other factors associated with this potential investment. For a discussion of these risks, see “Part I – Item 1A. Risk Factors” in the Annual Report.

Off-Balance Sheet Arrangements. Our investment in Cameron LNG JV is a variable interest in an unconsolidated entity. We discuss variable interests in Note 1 of the Notes to Condensed Consolidated Financial Statements.

In June 2021, Sempra provided a promissory note, which constitutes a guarantee, for the benefit of Cameron LNG JV with a maximum exposure to loss of $165 million. The guarantee will terminate upon full repayment of Cameron LNG JV’s debt, scheduled to occur in 2039, or replenishment of the amount withdrawn by Sempra Infrastructure from the SDSRA. We discuss this guarantee in Note 5 of the Notes to Condensed Consolidated Financial Statements.

In July 2020, Sempra entered into a Support Agreement, which contains a guarantee and represents a variable interest, for the benefit of CFIN with a maximum exposure to loss of $979 million. The guarantee will terminate upon full repayment of the guaranteed debt by 2039, including repayment following an event in which the guaranteed debt is put to Sempra. We discuss this guarantee in Notes 1, 5 and 8 of the Notes to Condensed Consolidated Financial Statements.

Energy Networks

Sonora Pipeline. Sempra Infrastructure’s Sonora natural gas pipeline consists of two segments, the Sasabe-Puerto Libertad-Guaymas segment and the Guaymas-El Oro segment. Each segment has its own service agreement with the CFE.

A portion of the Guaymas-El Oro segment of the Sonora natural gas pipeline crosses into territory owned by the Yaqui tribe who, with the exception of some members living in the Bácum community, granted its consent and a right-of-way easement agreement for the pipeline in its territory. Following the start of commercial operations of the Guaymas-El Oro segment, Sempra

Infrastructure reported damage to the pipeline in the Yaqui territory that has made that section inoperable since August 2017. Legal challenges raised by representatives of the Bácum community, which we discuss in Note 10 of the Notes to Condensed Consolidated Financial Statements, have prevented Sempra Infrastructure from making repairs to put the pipeline back in service. Such legal challenges were definitively resolved in March 2023 based on the agreement by the CFE and Sempra Infrastructure to re-route the portion of the pipeline that is in the Yaqui territory.

Discussions with the CFE regarding the future of the pipeline are underway in accordance with a non-binding MOU announced in January 2022 that, among other matters, addresses efforts to proceed with re-routing a portion of the pipeline, which will require either an extension of the service start date, as discussed below, or a separate definitive arrangement between Sempra Infrastructure and the CFE concerning the restarting of service on the pipeline. In July 2022, Sempra Infrastructure and the CFE entered into a Shareholders' Agreement that establishes a framework for a JV between the parties to work on restarting service on the pipeline, including the potential re-routing of a portion of the pipeline. This agreement is subject to a number of conditions to be satisfied before it becomes effective, including regulatory and corporate authorizations.

In September 2019, Sempra Infrastructure and the CFE reached an agreement to modify the tariff structure and extend the term of the contract by 10 years. Under the revised agreement, the CFE will resume making payments only when the damaged section of the Guaymas-El Oro segment of the Sonora pipeline is back in service. If the parties do not agree on a definitive arrangement to re-route a portion of the pipeline or the parties do not agree on a new service start date by October 31, 2023, Sempra Infrastructure retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits.

At June 30, 2023, Sempra Infrastructure had $414 million in PP&E, net, related to the Guaymas-El Oro segment of the Sonora pipeline, which could be subject to impairment if Sempra Infrastructure is unable to re-route a portion of the pipeline (which has not been agreed to by the parties, but is subject to negotiation pursuant to a non-binding MOU and a Shareholders' Agreement, as described above) and resume operations or if Sempra Infrastructure terminates the contract and is unable to obtain recovery, which in each case could have a material adverse effect on Sempra's business, results of operations, financial condition, cash flows and/or prospects.

Construction Projects. In May 2022, Sempra Infrastructure substantially completed construction of a terminal for the receipt, storage, and delivery of refined products in Topolobampo, at which time commissioning activities commenced. We expect the Topolobampo terminal will commence commercial operations in the fourth quarter of 2023, subject to receipt of the CRE's approval of the regulated rates.

Sempra Infrastructure is also developing terminals for the receipt, storage, and delivery of refined products in the vicinity of Manzanillo and Ensenada.

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

Port Arthur Pipeline Louisiana Connector. Sempra Infrastructure is developing the potential Port Arthur Pipeline Louisiana Connector, a 72-mile pipeline connecting the PA LNG Phase 1 project to Gillis, Louisiana. In April 2019, the FERC approved the siting, construction and operation of the proposed Port Arthur Pipeline Louisiana Connector, which would be used to supply feed gas to the PA LNG Phase 1 project. In July 2023, Sempra Infrastructure filed a limited amendment application with the FERC to implement construction process enhancements and minor modifications to several discrete sections of the Port Arthur Pipeline Louisiana Connector. These modifications are intended to decrease environmental impacts, accommodate landowner routing requests and enhance construction procedures. We expect to make a final investment decision in the third quarter of 2023 to position the Port Arthur Pipeline Louisiana Connector to be ready for service ahead of the PA LNG Phase 1 project's gas requirements.

Development of the proposed Port Arthur Pipeline Louisiana Connector is subject to numerous risks and uncertainties, including obtaining, maintaining and modifying permits and regulatory approvals; securing rights of ways; reaching a positive final investment decision; and other factors associated with this potential investment. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

Legal and Regulatory Matters

See Note 10 of the Notes to Condensed Consolidated Financial Statements in this report and "Part I – Item 1A. Risk Factors" in the Annual Report for discussions of the following legal and regulatory matters affecting our operations in Mexico:

Energía Costa Azul

- Land Disputes
- Environmental and Social Impact Permits

One or more unfavorable final decisions on these land disputes or environmental and social impact permit challenges could materially adversely affect our existing natural gas regasification operations and proposed natural gas liquefaction projects at the site of the ECA Regas Facility and have a material adverse effect on Sempra's business, results of operations, financial condition, cash flows and/or prospects.

Regulatory and Other Actions by the Mexican Government

- Amendments to Mexico's Hydrocarbons Law
- Amendments to Mexico's Electricity Industry Law

Sempra Infrastructure and other parties affected by these amendments to Mexican law have challenged them by filing amparo and other claims, some of which remain pending. An unfavorable decision on one or more of these amparo or other challenges, the impact of the amendments that have become effective (due to unsuccessful amparo challenges or otherwise), or the possibility of future reforms to the energy industry through additional amendments to Mexican laws, regulations or rules (including through amendments to the constitution) may impact our ability to operate our facilities at existing levels or at all, may result in increased costs for Sempra Infrastructure and its customers, may adversely affect our ability to develop new projects, may result in decreased revenues and cash flows, and may negatively impact our ability to recover the carrying values of our investments in Mexico, any of which may have a material adverse effect on Sempra's business, results of operations, financial condition, cash flows and/or prospects.

SOURCES AND USES OF CASH

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

CASH FLOWS FROM OPERATING ACTIVITIES
(Dollars in millions)

Six months ended June 30,	Sempra	SDG&E	SoCalGas
2023	$ 3,737	$ 966	$ 925
2022	2,364	1,013	861
Change	$ 1,373	$ (47)	$ 64
Change in net margin posted	$ 1,065	$ (66)	
Change in accounts receivable	405	(119)	$ 122
Change in income taxes receivable/payable, net	335	45	
Change in net undercollected regulatory balancing accounts (including long-term amounts in regulatory assets)	305	201	104
Higher net income, adjusted for noncash items included in earnings	110	19	229
Net decrease in Reserve for Aliso Canyon Costs, due to $137 lower accruals offset by $111 lower payments	(26)		(26)
Change in legal reserve	(63)		(58)
Change in accounts payable	(612)	(79)	(344)
Change in amounts due to/from unconsolidated affiliates		(64)	58
Other	(146)	16	(21)
	$ 1,373	$ (47)	$ 64

CASH FLOWS FROM INVESTING ACTIVITIES
(Dollars in millions)

Six months ended June 30,	Sempra	SDG&E	SoCalGas
2023	$ (4,421)	$ (1,200)	$ (961)
2022	(2,535)	(1,082)	(931)
Change	$ (1,886)	$ (118)	$ (30)
Increase in capital expenditures	$ (1,921)	$ (149)	$ (30)
Other	35	31	
	$ (1,886)	$ (118)	$ (30)

CASH FLOWS FROM FINANCING ACTIVITIES
(Dollars in millions)

Six months ended June 30,	Sempra	SDG&E	SoCalGas
2023	$ 1,457	$ 559	$ 16
2022	1,685	577	449
Change	$ (228)	$ (18)	$ (433)
Lower proceeds from sales of NCI	$ (1,467)		
(Higher) lower payments for commercial paper and other short-term debt with maturities greater than 90 days	(1,376)	$ 375	$ (800)
(Lower) higher issuances of long-term debt	(627)	(603)	300
(Higher) lower payments on long-term debt and finance leases	(473)	14	(303)
Higher distributions to NCI	(146)		
Settlement of cross-currency swaps	(99)		
Higher common dividends paid	(23)		
Lower repurchases of common stock	445		
Higher contributions from NCI	530		
Higher issuances of short-term debt with maturities greater than 90 days	1,423		
Change in borrowings and repayments of short-term debt, net	1,623	196	523
Equity contribution from Sempra in 2022			(150)
Other	(38)		(3)
	$ (228)	$ (18)	$ (433)

Capital Expenditures and Investments

EXPENDITURES FOR PP&E AND INVESTMENTS
(Dollars in millions)

	Six months ended June 30,	
	2023	2022
SDG&E	$ 1,239	$ 1,090
SoCalGas	961	931
Sempra Texas Utilities	178	171
Sempra Infrastructure	2,084	346
Parent and other	4	4
Total	$ 4,466	$ 2,542

Having reached a positive final investment decision for the PA LNG Phase 1 project and Oncor having received a final order from the PUCT in its comprehensive base rate review, we have updated our expected capital expenditures and investments from what we disclosed in "Part II – Item 7. MD&A – Capital Resources and Liquidity" in the Annual Report.

From 2023 through 2027, and subject to the factors described below, which could cause these estimates to vary substantially, Sempra expects to make aggregate capital expenditures and investments of approximately $38.6 billion (which excludes capital expenditures that will be funded by unconsolidated entities), as follows: $11.6 billion at SDG&E, $9.8 billion at SoCalGas, $2.5 billion at Sempra Texas Utilities and $14.7 billion at Sempra Infrastructure. Capital expenditure amounts include capitalized interest and AFUDC related to debt.

In 2023, we expect to make capital expenditures and investments of approximately $9.4 billion (which excludes capital expenditures that will be funded by unconsolidated entities), which is an increase from the $5.7 billion projected in “Part II – Item 7. MD&A – Capital Resources and Liquidity” in the Annual Report. The increase is primarily attributable to an increase of $3.3 billion at Sempra Infrastructure related to the PA LNG Phase 1 project, an increase of $200 million at SDG&E related to energy storage projects and an increase of $200 million at Sempra Texas Utilities.

We expect the majority of our capital expenditures and investments in 2023 will relate to transmission and distribution improvements at our regulated public utilities, and construction of the PA LNG Phase 1 project, ECA LNG Phase 1 project and natural gas pipelines at Sempra Infrastructure.

Our level of capital expenditures and investments in the next few years may vary substantially and will depend on, among other things, the cost and availability of financing, regulatory approvals, changes in tax law and business opportunities providing desirable rates of return. See “Part I – Item 1A. Risk Factors” in the Annual Report for a discussion of these and other factors that could affect future levels of our capital expenditures and investments. We intend to finance our capital expenditures in a manner that will maintain our investment-grade credit ratings and capital structure, but there is no guarantee that we will be able to do so.

CRITICAL ACCOUNTING ESTIMATES

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

NEW ACCOUNTING STANDARDS

We discuss any recent accounting pronouncements that have had or may have a significant effect on our financial statements and/or disclosures in Note 2 of the Notes to Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

COMMODITY PRICE RISK

Sempra Infrastructure is exposed to commodity price risk indirectly through its LNG, natural gas pipelines and storage, and power-generating assets. In the first six months of 2023, a hypothetical 10% change in commodity prices would have resulted in a change in the fair value of our commodity-based natural gas and electricity derivatives of $22 million at June 30, 2023 compared to $24 million at December 31, 2022.

The one-day value at risk for SDG&E’s and SoCalGas’ commodity positions were $5 million and negligible, respectively, at June 30, 2023 compared to $25 million and $2 million, respectively, at December 31, 2022.

INTEREST RATE RISK

The table below shows the nominal amount of our debt:

NOMINAL AMOUNT OF DEBT[1]
(Dollars in millions)

	June 30, 2023			December 31, 2022		
	Sempra	SDG&E	SoCalGas	Sempra	SDG&E	SoCalGas
Short-term:						
Sempra California	$ 238	$ —	$ 238	$ 1,105	$ 205	$ 900
Other	2,281	—	—	2,247	—	—
Long-term:						
Sempra California fixed-rate	$ 14,959	$ 8,200	$ 6,759	$ 13,159	$ 7,400	$ 5,759
Sempra California variable-rate	400	400	—	700	400	300
Other fixed-rate	11,322	—	—	10,079	—	—
Other variable-rate	738	—	—	575	—	—

(1) *After the effects of interest rate swaps. Before reductions for unamortized discount and debt issuance costs and excluding finance lease obligations.*

An interest rate risk sensitivity analysis measures interest rate risk by calculating the estimated changes in earnings that would result from a hypothetical change in market interest rates. Earnings are affected by changes in interest rates on short-term debt and variable-rate long-term debt. If weighted-average interest rates on short-term debt outstanding at June 30, 2023 increased or decreased by 10%, the change in earnings over the 12-month period ending June 30, 2024 would be approximately $10 million. If interest rates increased or decreased by 10% on all variable-rate long-term debt at June 30, 2023, after considering the effects of interest rate swaps, the change in earnings over the 12-month period ending June 30, 2024 would be approximately $5 million.

FOREIGN CURRENCY EXCHANGE RATE RISK AND INFLATION EXPOSURE

We discuss our foreign currency exchange rate risk and inflation exposure in “Part I – Item 2. MD&A – Impact of Foreign Currency and Inflation Rates on Results of Operations” in this report and in “Part II – Item 7. MD&A – Impact of Foreign Currency and Inflation Rates on Results of Operations” in the Annual Report. At June 30, 2023, there were no significant changes to our exposure to foreign currency rate risk since December 31, 2022.

In 2022 and 2023 to date, SDG&E and SoCalGas have experienced inflationary pressures from increases in various costs, including the cost of natural gas, electric fuel and purchased power, labor, materials and supplies, as well as availability of labor and materials. Sempra Texas Utilities has experienced increased costs of labor and materials and does not have specific regulatory mechanisms that allow for recovery of higher costs due to inflation; rather, recovery is limited to rate updates through capital trackers and base rate reviews, which may result in partial non-recovery due to the regulatory lag. If such costs continue to be subject to significant inflationary pressures and we are not able to fully recover such higher costs in rates or there is a delay in recovery, these increased costs may have a significant effect on Sempra’s, SDG&E’s and SoCalGas’ results of operations, financial condition, cash flows and/or prospects.

Sempra Infrastructure has experienced inflationary pressures from increases in various costs, including the cost of labor, materials and supplies. Sempra Infrastructure generally secures long-term contracts that are U.S. dollar-denominated or referenced and are periodically adjusted for market factors, including inflation, and Sempra Infrastructure generally enters into lump-sum contracts for its large construction projects in which much of the risk during construction is absorbed or hedged by the EPC contractor. If additional costs become subject to significant inflationary pressures, we may not be able to fully recover such higher costs through contractual adjustments for inflation, which may have a significant effect on Sempra’s results of operations, financial condition, cash flows and/or prospects.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Sempra, SDG&E and SoCalGas maintain disclosure controls and procedures designed to ensure that information required to be disclosed in their respective reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to the management of each company, including each respective principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. In designing and evaluating these controls and procedures, the management of each company recognizes that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives; therefore, the management of each company applies judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of the principal executive officers and principal financial officers of Sempra, SDG&E and SoCalGas, each such company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of June 30, 2023, the end of the period covered by this report. Based on these evaluations, the principal executive officers and principal financial officers of Sempra, SDG&E and SoCalGas concluded that their respective company's disclosure controls and procedures were effective at the reasonable assurance level as of such date.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not party to, and our property is not the subject of, any material pending legal proceedings (other than ordinary routine litigation incidental to our businesses) except for the matters (1) described in Notes 9 and 10 of the Notes to Condensed Consolidated Financial Statements in this report and in Notes 15 and 16 of the Notes to Consolidated Financial Statements in the Annual Report, or (2) referred to in "Part I – Item 2. MD&A" in this report or in "Part I – Item 1A. Risk Factors" or "Part II – Item 7. MD&A" in the Annual Report.

ITEM 1A. RISK FACTORS

When evaluating our company and its subsidiaries and any investment in our or their securities, you should consider carefully the risk factors and all other information contained in this report and in the other documents we file with the SEC (including those filed subsequent to this report), including the factors discussed in "Part I – Item 2. MD&A" in this report and "Part I – Item 1A. Risk Factors" and "Part II – Item 7. MD&A" in the Annual Report. Any of the risks and other information discussed in this report or any of the risk factors discussed in "Part I – Item 1A. Risk Factors" or "Part II – Item 7. MD&A" in the Annual Report, as well as additional risks and uncertainties not currently known to us or that we currently deem to be immaterial, could materially adversely affect our results of operations, financial condition, cash flows, prospects and/or the trading prices of our securities or those of our subsidiaries.

ITEM 5. OTHER INFORMATION

(a) None.

(b) There have been no material changes to the procedures by which security holders may recommend nominees to Sempra's board of directors since we last provided disclosure in response to the requirements of Item 407(c)(3) of Regulation S-K.

(c) During the most recent fiscal quarter, no Sempra, SDG&E or SoCalGas director or officer, as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, adopted or terminated a Rule 10b5-1 trading arrangement, as defined in Item 408(a) of Regulation S-K, or a non-Rule 10b5-1 trading arrangement, as defined in Item 408(c) of Regulation S-K.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

			Incorporated by Reference		
Exhibit Number	Exhibit Description	Filed or Furnished Herewith	Form	Exhibit or Appendix	Filing Date
EXHIBIT 3 -- ARTICLES OF INCORPORATION AND BYLAWS					
Sempra					
3.1	Amended and Restated Articles of Incorporation of Sempra effective May 23, 2008.		10-K	3.1	02/27/20
3.2	Certificate of Determination of Preferences of the 6% Mandatory Convertible Preferred Stock, Series A, of Sempra (including the form of certificate representing the 6% Mandatory Convertible Preferred Stock, Series A), filed with the Secretary of State of the State of California and effective January 5, 2018.		8-K	3.1	01/09/18
3.3	Certificate of Determination of Preferences of the 6.75% Mandatory Convertible Preferred Stock, Series B, of Sempra (including the form of certificate representing the 6.75% Mandatory Convertible Preferred Stock, Series B), filed with the Secretary of State of the State of California and effective July 11, 2018.		8-K	3.1	07/13/18
3.4	Certificate of Determination of Preferences of 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C, of Sempra (including the form of certificate representing the 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C), filed with the Secretary of State of the State of California and effective June 11, 2020.		8-K	3.1	06/15/20
3.5	Certificate of Amendment of Amended and Restated Articles of Incorporation of Sempra dated May 12, 2023.		8-K	3.1	05/16/23
3.6	Bylaws of Sempra (as amended through May 12, 2023).		8-K	3.2	05/16/23
San Diego Gas & Electric Company					
3.7	Amended and Restated Articles of Incorporation of San Diego Gas & Electric Company effective August 15, 2014.		10-K	3.4	02/26/15
3.8	Bylaws of San Diego Gas & Electric Company (as amended through October 26, 2016).		10-Q	3.1	11/02/16
Southern California Gas Company					
3.9	Restated Articles of Incorporation of Southern California Gas Company effective October 7, 1996.		10-K	3.01	03/28/97
3.10	Bylaws of Southern California Gas Company (as amended through January 30, 2017).		8-K	3.1	01/31/17
EXHIBIT 4 -- INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES					
Certain instruments defining the rights of holders of long-term debt instruments are not required to be filed or incorporated by reference herein pursuant to Item 601(b)(4)(iii)(A) of SEC Regulation S-K. Each registrant agrees to furnish a copy of such instruments to the SEC upon request.					
Sempra					
4.1	Officers' Certificate of Sempra, including the form of 5.400% Note due 2026 and the form of 5.500% Note due 2033.		8-K	4.1	06/23/23
Sempra / Southern California Gas Company					
4.2	Series ZZ Supplemental Indenture, dated as of May 23, 2023.		8-K	4.1	05/23/23
4.3	Series AAA Supplemental Indenture, dated as of May 23, 2023.		8-K	4.2	05/23/23

EXHIBIT INDEX (CONTINUED)

Exhibit Number	Exhibit Description	Filed or Furnished Herewith
EXHIBIT 31 -- SECTION 302 CERTIFICATIONS		
Sempra		
31.1	Certification of Sempra's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
31.2	Certification of Sempra's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
San Diego Gas & Electric Company		
31.3	Certification of San Diego Gas & Electric Company's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
31.4	Certification of San Diego Gas & Electric Company's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
Southern California Gas Company		
31.5	Certification of Southern California Gas Company's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
31.6	Certification of Southern California Gas Company's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.	X
EXHIBIT 32 -- SECTION 906 CERTIFICATIONS		
Sempra		
32.1	Certification of Sempra's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.	X
32.2	Certification of Sempra's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.	X
San Diego Gas & Electric Company		
32.3	Certification of San Diego Gas & Electric Company's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.	X
32.4	Certification of San Diego Gas & Electric Company's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.	X
Southern California Gas Company		
32.5	Certification of Southern California Gas Company's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.	X
32.6	Certification of Southern California Gas Company's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.	X

EXHIBIT INDEX (CONTINUED)

Exhibit Number	Exhibit Description	Filed or Furnished Herewith
EXHIBIT 101 -- INTERACTIVE DATA FILE		
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X
EXHIBIT 104 -- COVER PAGE INTERACTIVE DATA FILE		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	

SIGNATURES

Sempra:

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

SEMPRA,
(Registrant)

Date: August 3, 2023 By: /s/ Peter R. Wall

Peter R. Wall

Senior Vice President, Controller and Chief Accounting Officer (Duly Authorized Officer)

San Diego Gas & Electric Company:

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

SAN DIEGO GAS & ELECTRIC COMPANY,
(Registrant)

Date: August 3, 2023 By: /s/ Valerie A. Bille

Valerie A. Bille

Vice President, Controller and Chief Accounting Officer (Duly Authorized Officer)

Southern California Gas Company:

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

SOUTHERN CALIFORNIA GAS COMPANY,
(Registrant)

Date: August 3, 2023 By: /s/ Mia L. DeMontigny

Mia L. DeMontigny

Senior Vice President, Chief Financial Officer and Chief Accounting Officer (Duly Authorized Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, J. Walker Martin, certify that:

1. I have reviewed this report on Form 10-Q of Sempra;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2023	/s/ J. Walker Martin
	J. Walker Martin
	Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Trevor I. Mihalik, certify that:

1. I have reviewed this report on Form 10-Q of Sempra;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2023 /s/ Trevor I. Mihalik
Trevor I. Mihalik
Chief Financial Officer

EXHIBIT 31.3

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Caroline A. Winn, certify that:

1. I have reviewed this report on Form 10-Q of San Diego Gas & Electric Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2023 /s/ Caroline A. Winn

Caroline A. Winn
Chief Executive Officer

EXHIBIT 31.4

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Bruce A. Folkmann, certify that:

1. I have reviewed this report on Form 10-Q of San Diego Gas & Electric Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2023 /s/ Bruce A. Folkmann

Bruce A. Folkmann
Chief Financial Officer

EXHIBIT 31.5

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Scott D. Drury, certify that:

1. I have reviewed this report on Form 10-Q of Southern California Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2023 /s/ Scott D. Drury

Scott D. Drury
Chief Executive Officer

EXHIBIT 31.6

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14 AND 15d-14

I, Mia L. DeMontigny, certify that:

1. I have reviewed this report on Form 10-Q of Southern California Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2023 /s/ Mia L. DeMontigny
Mia L. DeMontigny
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of Sempra (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 3, 2023 /s/ J. Walker Martin

J. Walker Martin
Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of Sempra (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 3, 2023 /s/ Trevor I. Mihalik

Trevor I. Mihalik
Chief Financial Officer

Exhibit 32.3

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of San Diego Gas & Electric Company (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 3, 2023 /s/ Caroline A. Winn

Caroline A. Winn
Chief Executive Officer

Exhibit 32.4

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of San Diego Gas & Electric Company (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 3, 2023 /s/ Bruce A. Folkmann
Bruce A. Folkmann
Chief Financial Officer

Exhibit 32.5

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of Southern California Gas Company (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 3, 2023 /s/ Scott D. Drury
Scott D. Drury
Chief Executive Officer

Exhibit 32.6

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of Southern California Gas Company (the "Company") certifies that:

(i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended June 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 3, 2023 /s/ Mia L. DeMontigny
Mia L. DeMontigny
Chief Financial Officer