




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 September 30, 2022
- 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 ENERGY 488 8th Avenue San Diego, California 92101 (619) 696-2000		California	33-0732627 No change
1-03779	SAN DIEGO GAS & ELECTRIC COMPANY 8326 Century Park Court San Diego, California 92123 (619) 696-2000		California	95-1184800 No change
1-01402	SOUTHERN CALIFORNIA GAS COMPANY 555 West Fifth 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
<b>SEMPRA ENERGY:</b>		
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
<b>SAN DIEGO GAS &amp; ELECTRIC COMPANY:</b>		
None		
<b>SOUTHERN CALIFORNIA GAS COMPANY:</b>		
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 Energy	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

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 Energy	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

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 Energy:	<input checked="" type="checkbox"/> Large Accelerated Filer	<input type="checkbox"/> Accelerated Filer	<input type="checkbox"/> Non-accelerated Filer	<input type="checkbox"/> Smaller Reporting Company	<input type="checkbox"/> Emerging Growth Company
San Diego Gas & Electric Company:	<input type="checkbox"/> Large Accelerated Filer	<input type="checkbox"/> Accelerated Filer	<input checked="" type="checkbox"/> Non-accelerated Filer	<input type="checkbox"/> Smaller Reporting Company	<input type="checkbox"/> Emerging Growth Company
Southern California Gas Company:	<input type="checkbox"/> Large Accelerated Filer	<input type="checkbox"/> Accelerated Filer	<input checked="" type="checkbox"/> Non-accelerated Filer	<input type="checkbox"/> Smaller Reporting Company	<input type="checkbox"/> 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 Energy	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

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

Sempra Energy	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Southern California Gas Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

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 October 31, 2022:

Sempra Energy	314,333,363 shares
San Diego Gas & Electric Company	Wholly owned by Enova Corporation, which is wholly owned by Sempra Energy
Southern California Gas Company	Wholly owned by Pacific Enterprises, which is wholly owned by Sempra Energy

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This combined Form 10-Q is separately filed by Sempra Energy doing business as 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 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. The Notes to Condensed Consolidated Financial Statements for all of the reporting entities are combined. 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 this report.

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, 2021
AOCI	accumulated other comprehensive income (loss)
ARO	asset retirement obligation
ASC	Accounting Standards Codification
ASEA	Agencia de Seguridad, Energía y Ambiente (Mexico's National Agency for Industrial Safety and Environmental Protection)
ASR	accelerated share repurchase
ASU	Accounting Standards Update
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
CCA	Community Choice Aggregation
CCM	cost of capital adjustment mechanism
CENACE	Centro Nacional de Control de Energía (Mexico's National Center for Energy Control)
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
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 (losses) per common share
ESJ	Energía Sierra Juárez, S. de R.L. de C.V.
ETR	effective income tax rate
FEED	Front-End Engineering Design
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings, Inc.
FTA	Free Trade Agreement
Gazprom	Gazprom Marketing & Trading México S. de R.L. de C.V.
GRC	General Rate Case
HOA	Heads of Agreement
IEnova	Infraestructura Energética Nova, S.A.P.I. de C.V.
IEnova Pipelines	IEnova Pipelines, S. de R.L. de C.V.
IMG	Infraestructura Marina del Golfo
IOU	investor-owned utility
IRA	Inflation Reduction Act
ISO	Independent System Operator
JV	joint venture

**GLOSSARY (CONTINUED)**

KKR	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
LNG	liquefied natural gas
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Mexican Stock Exchange	Bolsa Mexicana de Valores, S.A.B. de C.V., or BMV
MMBtu	million British thermal units (of natural gas)
Moody's	Moody's Investors Service, Inc.
MOU	Memorandum of Understanding
Mtpa	million tonnes per annum
MW	megawatt
MWh	megawatt hour
NCI	noncontrolling interest(s)
NDT	nuclear decommissioning trusts
NEIL	Nuclear Electric Insurance Limited
O&M	operation and maintenance expense
OCI	other comprehensive income (loss)
OEIS	Office of Energy Infrastructure Safety
OII	Order Instituting Investigation
Oncor	Oncor Electric Delivery Company LLC
Oncor Holdings	Oncor Electric Delivery Holdings Company LLC
OSC	Order to Show Cause
PA LNG Phase 1 project	initial phase of the proposed Port Arthur LNG liquefaction export project
PA LNG Phase 2 project	second phase of the proposed Port Arthur LNG liquefaction export project
PG&E	Pacific Gas and Electric Company
PGNIG	Polish Oil & Gas Company
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
RSU	restricted stock unit
S&P	S&P Global Ratings, a division of S&P Global Inc.
Saavi Energía	Saavi Energía S. de R.L. de C.V.
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)
Sempra	Sempra Energy doing business as Sempra, together with its consolidated entities unless otherwise stated or indicated by the context
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 A preferred stock	6% mandatory convertible preferred stock, series A
series B preferred stock	6.75% mandatory convertible preferred stock, series B
Shell Mexico	Shell México Gas Natural, S. de R.L. de C.V.
SI Partners	Sempra Infrastructure Partners, LP, the holding company for most of Sempra's subsidiaries not subject to California or Texas utility regulation

**GLOSSARY (CONTINUED)**

SoCalGas	Southern California Gas Company
SONGS	San Onofre Nuclear Generating Station
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.
U.S. GAAP	generally accepted accounting principles in the United States of America
VAT	value-added tax
Ventika	Ventika, S.A.P.I. de C.V. and Ventika II, S.A.P.I. de C.V., collectively
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. We sometimes refer to SDG&E and SoCalGas collectively as Sempra California, which does not include the utilities in our Sempra Texas Utilities or Sempra Infrastructure segments. 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 other factors.

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,” “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 the risks that we may be found liable for damages regardless of fault and that we may not be able to recover all or a substantial portion of costs from insurance, the Wildfire Fund, in rates from customers or a combination thereof
- decisions, investigations, regulations, issuances or revocations of permits 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 in which 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 partners or other third parties, including governmental and regulatory bodies
- civil and criminal litigation, regulatory inquiries, investigations, arbitrations, property disputes and other proceedings, including those related to the Leak
- changes to laws and regulations, including certain of Mexico’s laws and rules that impact energy supplier permitting, energy contract rates, the electricity industry generally and the import, export, transport and storage of hydrocarbons
- cybersecurity threats, including by state and state-sponsored actors, by ransomware or other attacks on our systems or the systems of third-parties with which we conduct business, including to the energy grid or other energy infrastructure, all of which have become more pronounced due to recent geopolitical events, such as the war in Ukraine
- failure of foreign governments, state-owned entities and our counterparties to honor their contracts and commitments
- our ability to borrow money on favorable terms or otherwise and meet our debt service obligations, including due to (i) actions by credit rating agencies to downgrade our credit ratings or place those ratings on negative outlook and (ii) rising interest rates and inflation
- the impact on SDG&E’s and SoCalGas’ cost of capital and the affordability of customer rates and on Sempra Infrastructure’s ability to pass through any higher costs to current and future customers due to (i) volatility in inflation, interest rates, foreign currency exchange rates (with respect to Sempra Infrastructure’s business) and commodity prices and our ability to effectively hedge these risks, and (ii) with respect to SDG&E’s business, departing retail load resulting from additional customers transferring to CCA and Direct Access
- the impact of energy and climate policies, laws, rules and disclosures, as well as related goals and actions of companies in our industry, including actions to reduce or eliminate reliance on natural gas, any deterioration of or increased uncertainty in the political or regulatory environment for California natural gas distribution companies and the risk of nonrecovery for stranded assets
- the pace of the development and adoption of new technologies in the energy sector, including those designed to support governmental and private party energy and climate goals, and our ability to efficiently incorporate them into our businesses
- weather, natural disasters, pandemics, accidents, equipment failures, explosions, acts of terrorism, information system outages or other events that disrupt our operations, damage our facilities or systems, cause the release of harmful materials, cause fires or subject us to liability for damages, fines and penalties, some of which may not be recoverable through regulatory mechanisms, may be disputed or not covered by insurers, 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 or limitations on the withdrawal of natural gas from storage facilities
- the impact of the COVID-19 pandemic on capital projects, regulatory approvals and the execution of our operations
- Oncor's ability to eliminate or reduce 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, such as those that have been imposed and that may be imposed in the future in connection with the war in Ukraine, 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 ENERGY

#### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(unaudited)			
<b>REVENUES</b>				
Utilities:				
Natural gas	\$ 1,587	\$ 1,255	\$ 5,611	\$ 4,310
Electric	1,357	1,305	3,663	3,529
Energy-related businesses	673	453	1,710	1,174
Total revenues	3,617	3,013	10,984	9,013
<b>EXPENSES AND OTHER INCOME</b>				
Utilities:				
Cost of natural gas	(505)	(282)	(1,835)	(892)
Cost of electric fuel and purchased power	(307)	(312)	(763)	(828)
Energy-related businesses cost of sales	(340)	(220)	(764)	(448)
Operation and maintenance	(1,206)	(1,073)	(3,454)	(3,098)
Aliso Canyon litigation and regulatory matters	(122)	(1,571)	(259)	(1,571)
Depreciation and amortization	(506)	(471)	(1,500)	(1,376)
Franchise fees and other taxes	(162)	(151)	(474)	(442)
Other (expense) income, net	(40)	(55)	(3)	52
Interest income	18	16	58	50
Interest expense	(282)	(259)	(796)	(776)
Income (loss) before income taxes and equity earnings	165	(1,365)	1,194	(316)
Income tax (expense) benefit	(21)	342	(435)	45
Equity earnings	417	391	1,118	1,022
Net income (loss)	561	(632)	1,877	751
Earnings attributable to noncontrolling interests	(65)	(5)	(187)	(48)
Preferred dividends	(11)	(11)	(33)	(52)
Preferred dividends of subsidiary	—	—	(1)	(1)
Earnings (losses) attributable to common shares	\$ 485	\$ (648)	\$ 1,656	\$ 650
<b>Basic EPS:</b>				
Earnings (losses)	\$ 1.54	\$ (2.03)	\$ 5.25	\$ 2.10
Weighted-average common shares outstanding	314,724	319,144	315,301	309,350
<b>Diluted EPS:</b>				
Earnings (losses)	\$ 1.53	\$ (2.03)	\$ 5.23	\$ 2.09
Weighted-average common shares outstanding	316,087	319,144	316,457	310,854

See Notes to Condensed Consolidated Financial Statements.

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

	Sempra Energy shareholders' equity			Noncontrolling interests (after tax)	Total
	Pretax amount	Income tax (expense) benefit	Net-of-tax amount		
	(unaudited)				
Three months ended September 30, 2022 and 2021					
<b>2022:</b>					
Net income	\$ 517	\$ (21)	\$ 496	\$ 65	\$ 561
Other comprehensive income (loss):					
Foreign currency translation adjustments	—	—	—	(1)	(1)
Financial instruments	60	(15)	45	21	66
Pension and other postretirement benefits	2	—	2	—	2
Total other comprehensive income	62	(15)	47	20	67
Comprehensive income	\$ 579	\$ (36)	\$ 543	\$ 85	\$ 628
<b>2021:</b>					
Net (loss) income	\$ (979)	\$ 342	\$ (637)	\$ 5	\$ (632)
Other comprehensive income (loss):					
Foreign currency translation adjustments	(4)	—	(4)	(2)	(6)
Financial instruments	38	(9)	29	—	29
Pension and other postretirement benefits	(7)	2	(5)	—	(5)
Total other comprehensive income (loss)	27	(7)	20	(2)	18
Comprehensive (loss) income	\$ (952)	\$ 335	\$ (617)	\$ 3	\$ (614)
Nine months ended September 30, 2022 and 2021					
<b>2022:</b>					
Net income	\$ 2,125	\$ (435)	\$ 1,690	\$ 187	\$ 1,877
Other comprehensive income (loss):					
Foreign currency translation adjustments	5	—	5	—	5
Financial instruments	227	(56)	171	56	227
Pension and other postretirement benefits	15	(2)	13	—	13
Total other comprehensive income	247	(58)	189	56	245
Comprehensive income	2,372	(493)	1,879	243	2,122
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)
Comprehensive income, after preferred dividends of subsidiary	\$ 2,371	\$ (493)	\$ 1,878	\$ 243	\$ 2,121
<b>2021:</b>					
Net income	\$ 658	\$ 45	\$ 703	\$ 48	\$ 751
Other comprehensive income (loss):					
Foreign currency translation adjustments	(4)	—	(4)	(2)	(6)
Financial instruments	145	(36)	109	9	118
Pension and other postretirement benefits	11	(2)	9	—	9
Total other comprehensive income	152	(38)	114	7	121
Comprehensive income	810	7	817	55	872
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)
Comprehensive income, after preferred dividends of subsidiary	\$ 809	\$ 7	\$ 816	\$ 55	\$ 871

*See Notes to Condensed Consolidated Financial Statements.*

**SEMPRA ENERGY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(Dollars in millions)*

	September 30, 2022	December 31, 2021 <sup>(1)</sup>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 685	\$ 559
Restricted cash	49	19
Accounts receivable – trade, net	1,817	2,071
Accounts receivable – other, net	371	398
Due from unconsolidated affiliates	52	23
Income taxes receivable	90	79
Inventories	506	389
Prepaid expenses	333	260
Regulatory assets	270	271
Greenhouse gas allowances	100	97
Other current assets	192	209
<b>Total current assets</b>	<b>4,465</b>	<b>4,375</b>
<b>Other assets:</b>		
Restricted cash	52	3
Due from unconsolidated affiliates	—	637
Regulatory assets	2,641	2,011
Insurance receivable for Aliso Canyon costs	10	360
Greenhouse gas allowances	758	422
Nuclear decommissioning trusts	816	1,012
Dedicated assets in support of certain benefit plans	487	567
Deferred income taxes	133	151
Right-of-use assets – operating leases	665	594
Investment in Oncor Holdings	13,558	12,947
Other investments	1,876	1,525
Goodwill	1,602	1,602
Other intangible assets	350	370
Wildfire fund	310	331
Other long-term assets	1,401	1,244
<b>Total other assets</b>	<b>24,659</b>	<b>23,776</b>
<b>Property, plant and equipment:</b>		
Property, plant and equipment	62,218	58,940
Less accumulated depreciation and amortization	(15,779)	(15,046)
Property, plant and equipment, net	46,439	43,894
<b>Total assets</b>	<b>\$ 75,563</b>	<b>\$ 72,045</b>

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2022	December 31, 2021 <sup>(1)</sup>
	(unaudited)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 1,750	\$ 3,471
Accounts payable – trade	1,919	1,671
Accounts payable – other	242	178
Dividends and interest payable	630	563
Accrued compensation and benefits	474	479
Regulatory liabilities	298	359
Current portion of long-term debt and finance leases	1,005	106
Reserve for Aliso Canyon costs	145	1,980
Greenhouse gas obligations	100	97
Other current liabilities	1,273	1,131
<b>Total current liabilities</b>	<b>7,836</b>	<b>10,035</b>
Long-term debt and finance leases	23,830	21,068
<b>Deferred credits and other liabilities:</b>		
Due to unconsolidated affiliates	296	287
Regulatory liabilities	3,312	3,402
Greenhouse gas obligations	521	225
Pension and other postretirement benefit plan obligations, net of plan assets	602	687
Deferred income taxes	4,327	3,477
Asset retirement obligations	3,479	3,375
Deferred credits and other	2,071	2,070
<b>Total deferred credits and other liabilities</b>	<b>14,608</b>	<b>13,523</b>
<b>Commitments and contingencies (Note 11)</b>		
<b>Equity:</b>		
<b>Preferred stock (50 million shares authorized):</b>		
Preferred stock, series C (0.9 million shares outstanding)	889	889
Common stock (750 million shares authorized; 314 million and 317 million shares outstanding at September 30, 2022 and December 31, 2021, respectively; no par value)	12,138	11,862
Retained earnings	14,123	13,548
Accumulated other comprehensive income (loss)	(120)	(318)
<b>Total Sempra Energy shareholders' equity</b>	<b>27,030</b>	<b>25,981</b>
Preferred stock of subsidiary	20	20
Other noncontrolling interests	2,239	1,418
<b>Total equity</b>	<b>29,289</b>	<b>27,419</b>
<b>Total liabilities and equity</b>	<b>\$ 75,563</b>	<b>\$ 72,045</b>

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2022	2021
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,877	\$ 751
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,500	1,376
Deferred income taxes and investment tax credits	387	(159)
Equity earnings	(1,118)	(1,022)
Foreign currency transaction losses, net	18	10
Share-based compensation expense	49	48
Fixed-price contracts and other derivatives	200	338
Other	157	70
Reserve for Aliso Canyon costs	(1,835)	1,525
Net change in other working capital components	(267)	(186)
Insurance receivable for Aliso Canyon costs	350	31
Distributions from investments	643	727
Changes in other noncurrent assets and liabilities, net	(506)	(528)
Net cash provided by operating activities	<u>1,455</u>	<u>2,981</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(3,540)	(3,606)
Expenditures for investments and acquisitions	(275)	(216)
Purchases of nuclear decommissioning trust assets	(530)	(729)
Proceeds from sales of nuclear decommissioning trust assets	530	729
Advances to unconsolidated affiliates	—	(8)
Repayments of advances to unconsolidated affiliates	626	—
Distributions from investments	—	365
Other	6	9
Net cash used in investing activities	<u>(3,183)</u>	<u>(3,456)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common dividends paid	(1,070)	(981)
Preferred dividends paid	(22)	(77)
Issuances of common stock	4	5
Repurchases of common stock	(478)	(39)
Issuances of debt (maturities greater than 90 days)	6,711	1,992
Payments on debt (maturities greater than 90 days) and finance leases	(3,365)	(2,315)
(Decrease) increase in short-term debt, net	(1,438)	1,999
Advances from unconsolidated affiliates	28	40
Proceeds from sales of noncontrolling interests, net	1,732	7
Purchases of noncontrolling interests	—	(221)
Distributions to noncontrolling interests	(146)	—
Contributions from noncontrolling interests	15	—
Other	(35)	(13)
Net cash provided by financing activities	<u>1,936</u>	<u>397</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(3)</u>	<u>—</u>
Increase (decrease) in cash, cash equivalents and restricted cash	205	(78)
Cash, cash equivalents and restricted cash, January 1	581	985
Cash, cash equivalents and restricted cash, September 30	<u>\$ 786</u>	<u>\$ 907</u>

See Notes to Condensed Consolidated Financial Statements.

**SEMPRA ENERGY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

(Dollars in millions)

	Nine months ended September 30,	
	2022	2021
	(unaudited)	
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest payments, net of amounts capitalized	\$ 732	\$ 741
Income tax payments, net of refunds	241	101
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Increase in Cameron LNG JV investment for guarantee	—	22
Repayment of advances from unconsolidated affiliate in lieu of distribution	32	—
Accrued capital expenditures	738	572
Increase in finance lease obligations for investment in PP&E	33	35
Derecognized PP&E for net investment in sales-type lease	—	44
Increase in ARO for investment in PP&E	49	33
Issuance of common stock in exchange for NCI and related AOCI	—	1,373
Common dividends declared but not paid	360	351
Conversion of mandatory convertible preferred stock	—	2,258
Preferred dividends declared but not paid	22	22

See Notes to Condensed Consolidated Financial Statements.

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

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Sempra Energy shareholders' equity	Non-controlling interests	Total equity
(unaudited)							
Three months ended September 30, 2022							
Balance at June 30, 2022	\$ 889	\$ 12,121	\$ 13,998	\$ (167)	\$ 26,841	\$ 2,212	\$ 29,053
<b>Net income</b>			496		496	65	561
<b>Other comprehensive income</b>				47	47	20	67
Share-based compensation expense		17			17		17
Dividends declared:							
Series C preferred stock (\$12.19/share)			(11)		(11)		(11)
Common stock (\$1.15/share)			(360)		(360)		(360)
Issuances of common stock		1			1		1
Repurchases of common stock		(2)			(2)		(2)
Noncontrolling interest activities:							
Contributions						2	2
Distributions						(40)	(40)
Sale		1			1		1
Balance at September 30, 2022	\$ 889	\$ 12,138	\$ 14,123	\$ (120)	\$ 27,030	\$ 2,259	\$ 29,289
Three months ended September 30, 2021							
Balance at June 30, 2021	\$ 1,454	\$ 10,150	\$ 14,291	\$ (444)	\$ 25,451	\$ 241	\$ 25,692
<b>Net (loss) income</b>			(637)		(637)	5	(632)
<b>Other comprehensive income (loss)</b>				20	20	(2)	18
Share-based compensation expense		14			14		14
Dividends declared:							
Series C preferred stock (\$12.19/share)			(11)		(11)		(11)
Common stock (\$1.10/share)			(351)		(351)		(351)
Conversion of series B preferred stock	(565)	565			—		—
Repurchases of common stock		(1)			(1)		(1)
Noncontrolling interest activities:							
Purchases		63		6	69	(194)	(125)
Balance at September 30, 2021	\$ 889	\$ 10,791	\$ 13,292	\$ (418)	\$ 24,554	\$ 50	\$ 24,604

*See Notes to Condensed Consolidated Financial Statements.*

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

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Sempra Energy shareholders' equity	Non-controlling interests	Total equity
(unaudited)							
Nine months ended September 30, 2022							
Balance at December 31, 2021	\$ 889	\$ 11,862	\$ 13,548	\$ (318)	\$ 25,981	\$ 1,438	\$ 27,419
<b>Net income</b>			1,690		1,690	187	1,877
<b>Other comprehensive income</b>				189	189	56	245
Share-based compensation expense		49			49		49
Dividends declared:							
Series C preferred stock (\$36.57/share)			(33)		(33)		(33)
Common stock (\$3.44/share)			(1,081)		(1,081)		(1,081)
Preferred dividends of subsidiary			(1)		(1)		(1)
Issuances of common stock		4			4		4
Repurchases of common stock		(478)			(478)		(478)
Noncontrolling interest activities:							
Contributions						15	15
Distributions						(146)	(146)
Sale		701		9	710	709	1,419
Balance at September 30, 2022	\$ 889	\$ 12,138	\$ 14,123	\$ (120)	\$ 27,030	\$ 2,259	\$ 29,289
Nine months ended September 30, 2021							
Balance at December 31, 2020	\$ 3,147	\$ 7,053	\$ 13,673	\$ (500)	\$ 23,373	\$ 1,561	\$ 24,934
<b>Net income</b>			703		703	48	751
<b>Other comprehensive income</b>				114	114	7	121
Share-based compensation expense		48			48		48
Dividends declared:							
Series B preferred stock (\$3.38/share)			(19)		(19)		(19)
Series C preferred stock (\$36.57/share)			(33)		(33)		(33)
Common stock (\$3.30/share)			(1,031)		(1,031)		(1,031)
Preferred dividends of subsidiary			(1)		(1)		(1)
Conversion of series A preferred stock	(1,693)	1,693			—		—
Conversion of series B preferred stock	(565)	565			—		—
Issuances of common stock		5			5		5
Repurchases of common stock		(39)			(39)		(39)
Noncontrolling interest activities:							
Purchases		1,462		(32)	1,430	(1,567)	(137)
Sales		4			4	1	5
Balance at September 30, 2021	\$ 889	\$ 10,791	\$ 13,292	\$ (418)	\$ 24,554	\$ 50	\$ 24,604

See Notes to Condensed Consolidated Financial Statements.



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**CONDENSED STATEMENTS OF OPERATIONS**

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(unaudited)			
Operating revenues				
Electric	\$ 1,360	\$ 1,307	\$ 3,672	\$ 3,534
Natural gas	209	157	741	585
Total operating revenues	1,569	1,464	4,413	4,119
Operating expenses				
Cost of electric fuel and purchased power	316	324	806	869
Cost of natural gas	65	37	260	159
Operation and maintenance	439	389	1,256	1,152
Depreciation and amortization	247	226	730	659
Franchise fees and other taxes	97	93	277	264
Total operating expenses	1,164	1,069	3,329	3,103
Operating income	405	395	1,084	1,016
Other income, net	12	4	68	61
Interest income	2	—	3	1
Interest expense	(113)	(104)	(333)	(307)
Income before income taxes	306	295	822	771
Income tax expense	(35)	(90)	(141)	(168)
Net income/Earnings attributable to common shares	\$ 271	\$ 205	\$ 681	\$ 603

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 September 30, 2022 and 2021		
<b>2022:</b>			
Net income	\$ 306	\$ (35)	\$ 271
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	\$ 307	\$ (35)	\$ 272
<b>2021:</b>			
Net income	\$ 295	\$ (90)	\$ 205
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	\$ 296	\$ (90)	\$ 206
Nine months ended September 30, 2022 and 2021			
<b>2022:</b>			
Net income	\$ 822	\$ (141)	\$ 681
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	\$ 823	\$ (141)	\$ 682
<b>2021:</b>			
Net income	\$ 771	\$ (168)	\$ 603
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	\$ 772	\$ (168)	\$ 604

*See Notes to Condensed Financial Statements.*

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

	September 30, 2022	December 31, 2021 <sup>(1)</sup>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 219	\$ 25
Accounts receivable – trade, net	792	715
Accounts receivable – other, net	79	78
Income taxes receivable, net	26	9
Inventories	129	123
Prepaid expenses	218	174
Regulatory assets	252	231
Greenhouse gas allowances	13	13
Other current assets	69	63
Total current assets	1,797	1,431
<b>Other assets:</b>		
Regulatory assets	1,083	786
Greenhouse gas allowances	142	111
Nuclear decommissioning trusts	816	1,012
Right-of-use assets – operating leases	284	185
Wildfire fund	310	331
Other long-term assets	165	154
Total other assets	2,800	2,579
<b>Property, plant and equipment:</b>		
Property, plant and equipment	27,792	26,456
Less accumulated depreciation and amortization	(6,630)	(6,408)
Property, plant and equipment, net	21,162	20,048
<b>Total assets</b>	<b>\$ 25,759</b>	<b>\$ 24,058</b>

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Financial Statements.

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

	September 30, 2022	December 31, 2021 <sup>(1)</sup>
	(unaudited)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ —	\$ 776
Accounts payable	790	588
Due to unconsolidated affiliates	93	97
Interest payable	76	50
Accrued compensation and benefits	130	148
Regulatory liabilities	27	14
Current portion of long-term debt and finance leases	486	49
Customer deposits	35	30
Greenhouse gas obligations	13	13
Asset retirement obligations	97	86
Other current liabilities	342	260
<b>Total current liabilities</b>	<b>2,089</b>	<b>2,111</b>
<b>Long-term debt and finance leases</b>	<b>8,502</b>	<b>7,581</b>
<b>Deferred credits and other liabilities:</b>		
Regulatory liabilities	2,221	2,302
Greenhouse gas obligations	76	31
Pension obligation, net of plan assets	24	25
Deferred income taxes	2,459	2,275
Asset retirement obligations	783	804
Deferred credits and other	774	680
<b>Total deferred credits and other liabilities</b>	<b>6,337</b>	<b>6,117</b>
<b>Commitments and contingencies (Note 11)</b>		
<b>Shareholder's equity:</b>		
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	7,180	6,599
Accumulated other comprehensive income (loss)	(9)	(10)
<b>Total shareholder's equity</b>	<b>8,831</b>	<b>8,249</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 25,759</b>	<b>\$ 24,058</b>

<sup>(1)</sup> Derived from audited financial statements.  
See Notes to Condensed Financial Statements.

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

	Nine months ended September 30,	
	2022	2021
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 681	\$ 603
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	730	659
Deferred income taxes and investment tax credits	91	133
Other	23	(1)
Net change in working capital components	57	(187)
Changes in noncurrent assets and liabilities, net	(214)	(183)
Net cash provided by operating activities	<u>1,368</u>	<u>1,024</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(1,651)	(1,560)
Purchases of nuclear decommissioning trust assets	(530)	(729)
Proceeds from sales of nuclear decommissioning trust assets	530	729
Other	8	7
Net cash used in investing activities	<u>(1,643)</u>	<u>(1,553)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common dividends paid	(100)	—
Issuances of debt (maturities greater than 90 days)	1,395	1,120
Payments on debt (maturities greater than 90 days) and finance leases	(416)	(606)
Decrease in short-term debt, net	(401)	—
Debt issuance costs	(9)	(8)
Net cash provided by financing activities	<u>469</u>	<u>506</u>
Increase (decrease) in cash and cash equivalents	194	(23)
Cash and cash equivalents, January 1	25	262
Cash and cash equivalents, September 30	<u>\$ 219</u>	<u>\$ 239</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest payments, net of amounts capitalized	\$ 303	\$ 275
Income tax payments, net of refunds	68	64
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued capital expenditures	\$ 236	\$ 217
Increase in ARO for investment in PP&E	1	18
Increase in finance lease obligations for investment in PP&E	12	23

*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 September 30, 2022			
Balance at June 30, 2022	\$ 1,660	\$ 7,009	\$ (10)	\$ 8,659
<b>Net income</b>		271		271
<b>Other comprehensive income</b>			1	1
Common stock dividends declared (\$0.86/share)		(100)		(100)
Balance at September 30, 2022	\$ 1,660	\$ 7,180	\$ (9)	\$ 8,831
	Three months ended September 30, 2021			
Balance at June 30, 2021	\$ 1,660	\$ 6,478	\$ (10)	\$ 8,128
<b>Net income</b>		205		205
<b>Other comprehensive income</b>			1	1
Balance at September 30, 2021	\$ 1,660	\$ 6,683	\$ (9)	\$ 8,334
	Nine months ended September 30, 2022			
Balance at December 31, 2021	\$ 1,660	\$ 6,599	\$ (10)	\$ 8,249
<b>Net income</b>		681		681
<b>Other comprehensive income</b>			1	1
Common stock dividends declared (\$0.86/share)		(100)		(100)
Balance at September 30, 2022	\$ 1,660	\$ 7,180	\$ (9)	\$ 8,831
	Nine months ended September 30, 2021			
Balance at December 31, 2020	\$ 1,660	\$ 6,080	\$ (10)	\$ 7,730
<b>Net income</b>		603		603
<b>Other comprehensive income</b>			1	1
Balance at September 30, 2021	\$ 1,660	\$ 6,683	\$ (9)	\$ 8,334

See Notes to Condensed Financial Statements.

**SOUTHERN CALIFORNIA GAS COMPANY**  
**CONDENSED STATEMENTS OF OPERATIONS**

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(unaudited)			
Operating revenues	\$ 1,385	\$ 1,106	\$ 4,879	\$ 3,738
Operating expenses				
Cost of natural gas	441	240	1,577	736
Operation and maintenance	590	546	1,746	1,574
Aliso Canyon litigation and regulatory matters	122	1,571	259	1,571
Depreciation and amortization	190	180	565	533
Franchise fees and other taxes	62	54	181	163
Total operating expenses	1,405	2,591	4,328	4,577
Operating (loss) income	(20)	(1,485)	551	(839)
Other expense, net	(43)	(39)	(5)	(2)
Interest income	3	—	4	—
Interest expense	(50)	(39)	(135)	(118)
(Loss) income before income taxes	(110)	(1,563)	415	(959)
Income tax benefit (expense)	28	437	(75)	335
Net (loss) income	(82)	(1,126)	340	(624)
Preferred dividends	—	—	(1)	(1)
(Losses) earnings attributable to common shares	\$ (82)	\$ (1,126)	\$ 339	\$ (625)

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 September 30, 2022 and 2021		
<b>2022:</b>			
Net loss	\$ (110)	\$ 28	\$ (82)
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive loss	\$ (109)	\$ 28	\$ (81)
<b>2021:</b>			
Net loss	\$ (1,563)	\$ 437	\$ (1,126)
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive loss	\$ (1,562)	\$ 437	\$ (1,125)
Nine months ended September 30, 2022 and 2021			
<b>2022:</b>			
Net income	\$ 415	\$ (75)	\$ 340
Other comprehensive income (loss):			
Financial instruments	1	—	1
Pension and other postretirement benefits	2	—	2
Total other comprehensive income	3	—	3
Comprehensive income	\$ 418	\$ (75)	\$ 343
<b>2021:</b>			
Net loss	\$ (959)	\$ 335	\$ (624)
Other comprehensive income (loss):			
Pension and other postretirement benefits	2	—	2
Total other comprehensive income	2	—	2
Comprehensive loss	\$ (957)	\$ 335	\$ (622)

*See Notes to Condensed Financial Statements.*



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

	September 30, 2022	December 31, 2021 <sup>(1)</sup>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 53	\$ 37
Accounts receivable – trade, net	710	1,084
Accounts receivable – other, net	72	58
Due from unconsolidated affiliates	24	49
Income taxes receivable, net	25	23
Inventories	293	172
Regulatory assets	18	40
Greenhouse gas allowances	79	75
Other current assets	67	61
Total current assets	1,341	1,599
<b>Other assets:</b>		
Regulatory assets	1,481	1,148
Insurance receivable for Aliso Canyon costs	10	360
Greenhouse gas allowances	578	290
Right-of-use assets – operating leases	45	57
Other long-term assets	624	627
Total other assets	2,738	2,482
<b>Property, plant and equipment:</b>		
Property, plant and equipment	24,424	23,104
Less accumulated depreciation and amortization	(7,178)	(6,861)
Property, plant and equipment, net	17,246	16,243
<b>Total assets</b>	<b>\$ 21,325</b>	<b>\$ 20,324</b>

<sup>(1)</sup> Derived from audited financial statements.  
See Notes to Condensed Financial Statements.

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

	September 30, 2022	December 31, 2021 <sup>(1)</sup>
	(unaudited)	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 1,227	\$ 385
Accounts payable – trade	652	775
Accounts payable – other	177	142
Due to unconsolidated affiliates	42	36
Accrued compensation and benefits	212	202
Regulatory liabilities	271	345
Current portion of long-term debt and finance leases	315	11
Customer deposits	17	13
Reserve for Aliso Canyon costs	145	1,980
Greenhouse gas obligations	79	75
Asset retirement obligations	75	77
Other current liabilities	291	271
<b>Total current liabilities</b>	<b>3,503</b>	<b>4,312</b>
Long-term debt and finance leases	5,175	4,773
<b>Deferred credits and other liabilities:</b>		
Regulatory liabilities	1,091	1,100
Greenhouse gas obligations	407	174
Pension obligation, net of plan assets	474	551
Deferred income taxes	1,197	1,039
Asset retirement obligations	2,628	2,505
Deferred credits and other	416	428
<b>Total deferred credits and other liabilities</b>	<b>6,213</b>	<b>5,797</b>
<b>Commitments and contingencies (Note 11)</b>		
<b>Shareholders' equity:</b>		
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	1,666
Retained earnings	4,124	3,785
Accumulated other comprehensive income (loss)	(28)	(31)
<b>Total shareholders' equity</b>	<b>6,434</b>	<b>5,442</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 21,325</b>	<b>\$ 20,324</b>

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Financial Statements.

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

	Nine months ended September 30,	
	2022	2021
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 340	\$ (624)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	565	533
Deferred income taxes and investment tax credits	77	(467)
Other	51	47
Reserve for Aliso Canyon costs	(1,835)	1,525
Net change in working capital components	98	385
Insurance receivable for Aliso Canyon costs	350	31
Changes in other noncurrent assets and liabilities, net	(408)	(393)
Net cash (used in) provided by operating activities	(762)	1,037
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(1,394)	(1,417)
Net cash used in investing activities	(1,394)	(1,417)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common dividends paid	—	(75)
Preferred dividends paid	(1)	(1)
Equity contribution from Sempra Energy	650	800
Issuances of debt (maturities greater than 90 days)	1,497	—
Payments on finance leases	(10)	(9)
Increase (decrease) in short-term debt, net	42	(113)
Debt issuance costs	(6)	—
Net cash provided by financing activities	2,172	602
Increase in cash and cash equivalents	16	222
Cash and cash equivalents, January 1	37	4
Cash and cash equivalents, September 30	\$ 53	\$ 226
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest payments, net of amounts capitalized	\$ 123	\$ 119
Income tax payments, net of refunds	—	170
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued capital expenditures	\$ 235	\$ 205
Increase (decrease) in ARO for investment in PP&E	48	(1)
Increase in finance lease obligations for investment in PP&E	21	12

*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 September 30, 2022				
Balance at June 30, 2022	\$ 22	\$ 1,816	\$ 4,206	\$ (29)	\$ 6,015
<b>Net loss</b>			(82)		(82)
<b>Other comprehensive income</b>				1	1
Dividends declared:					
Preferred stock (\$0.38/share)			—		—
Equity contribution from Sempra Energy		500			500
Balance at September 30, 2022	\$ 22	\$ 2,316	\$ 4,124	\$ (28)	\$ 6,434
	Three months ended September 30, 2021				
Balance at June 30, 2021	\$ 22	\$ 866	\$ 4,713	\$ (30)	\$ 5,571
<b>Net loss</b>			(1,126)		(1,126)
<b>Other comprehensive income</b>				1	1
Dividends declared:					
Preferred stock (\$0.38/share)			—		—
Equity contribution from Sempra Energy		800			800
Balance at September 30, 2021	\$ 22	\$ 1,666	\$ 3,587	\$ (29)	\$ 5,246
	Nine months ended September 30, 2022				
Balance at December 31, 2021	\$ 22	\$ 1,666	\$ 3,785	\$ (31)	\$ 5,442
<b>Net income</b>			340		340
<b>Other comprehensive income</b>				3	3
Dividends declared:					
Preferred stock (\$1.13/share)			(1)		(1)
Equity contribution from Sempra Energy		650			650
Balance at September 30, 2022	\$ 22	\$ 2,316	\$ 4,124	\$ (28)	\$ 6,434
	Nine months ended September 30, 2021				
Balance at December 31, 2020	\$ 22	\$ 866	\$ 4,287	\$ (31)	\$ 5,144
<b>Net loss</b>			(624)		(624)
<b>Other comprehensive income</b>				2	2
Dividends declared:					
Preferred stock (\$1.13/share)			(1)		(1)
Common stock (\$0.82/share)			(75)		(75)
Equity contribution from Sempra Energy		800			800
Balance at September 30, 2021	\$ 22	\$ 1,666	\$ 3,587	\$ (29)	\$ 5,246

See Notes to Condensed Financial Statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. GENERAL INFORMATION AND OTHER FINANCIAL DATA

#### **PRINCIPLES OF CONSOLIDATION**

##### ***Sempra***

Sempra's Condensed Consolidated Financial Statements include the accounts of Sempra Energy, a California-based holding company doing business as Sempra, and its consolidated entities. In the fourth quarter of 2021, we formed Sempra Infrastructure, which resulted in a change to our reportable segments. Historical segment disclosures have been restated to conform with the current presentation of our four separate reportable segments, which we discuss in Note 12. 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 the consolidated financial statements of each reporting entity.

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 September 30, 2022 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, 2021 balance sheet information in the Condensed Consolidated Financial Statements has been derived from our audited 2021 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.

Our Sempra Infrastructure segment includes the operating companies of our subsidiary, IEnova, as well as certain holding companies and risk management activity. Certain business activities at IEnova are regulated by the CRE and meet the regulatory accounting requirements of U.S. GAAP. Pipeline projects currently under construction at IEnova 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 Gazprom's letters of credit, including draws associated with its LNG storage and regasification agreement that we discuss in Note 11, and funds denominated in Mexican pesos to pay for rights-of-way, license fees, permits, topographic surveys and other costs pursuant to trust and debt agreements related to pipeline projects
- 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)

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 685	\$ 559
Restricted cash, current	49	19
Restricted cash, noncurrent	52	3
Total cash, cash equivalents and restricted cash on the Condensed Consolidated Statements of Cash Flows	\$ 786	\$ 581

## 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 6.

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 2021, SDG&E and SoCalGas applied, on behalf of their customers, for financial assistance from the California Department of Community Services and Development under the California Arrearage Payment Program, which provided funds of \$63 million and \$79 million for SDG&E and SoCalGas, respectively. In the first quarter of 2022, SDG&E and SoCalGas received 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. SDG&E and SoCalGas have applied for funding from this program on behalf of their residential customers with past due balances and, if approved, may receive up to \$51 million and \$59 million, respectively, of such funding in the first quarter of 2023.

We provide below allowances and 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.

<b>CHANGES IN ALLOWANCES FOR CREDIT LOSSES</b>				
<i>(Dollars in millions)</i>				
	2022		2021	
<b>Sempra:</b>				
Allowances for credit losses at January 1	\$	136	\$	138
Provisions for expected credit losses		111		96
Write-offs		(57)		(28)
Allowances for credit losses at September 30	\$	190	\$	206
<b>SDG&amp;E:</b>				
Allowances for credit losses at January 1	\$	66	\$	69
Provisions for expected credit losses		51		30
Write-offs		(30)		(16)
Allowances for credit losses at September 30	\$	87	\$	83
<b>SoCalGas:</b>				
Allowances for credit losses at January 1	\$	69	\$	68
Provisions for expected credit losses		58		64
Write-offs		(27)		(12)
Allowances for credit losses at September 30	\$	100	\$	120

Allowances for credit losses related to accounts receivable are included in the Condensed Consolidated Balance Sheets as follows:

<b>ALLOWANCES FOR CREDIT LOSSES</b>				
<i>(Dollars in millions)</i>				
	September 30, 2022		December 31, 2021	
<b>Sempra:</b>				
Accounts receivable – trade, net	\$	151	\$	94
Accounts receivable – other, net		37		39
Other long-term assets		2		3
Total allowances for credit losses	\$	190	\$	136
<b>SDG&amp;E:</b>				
Accounts receivable – trade, net	\$	64	\$	42
Accounts receivable – other, net		22		22
Other long-term assets		1		2
Total allowances for credit losses	\$	87	\$	66
<b>SoCalGas:</b>				
Accounts receivable – trade, net	\$	84	\$	51
Accounts receivable – other, net		15		17
Other long-term assets		1		1
Total allowances for credit losses	\$	100	\$	69

As we discuss below in “Transactions with Affiliates,” we had a loan due from an unconsolidated affiliate that was paid in full in July 2022. At December 31, 2021, \$1 million of expected credit losses are included in noncurrent Due From Unconsolidated Affiliates on Sempra’s Condensed Consolidated Balance Sheet.

As we discuss below in “Note Receivable,” we have an interest-bearing promissory note due from KKR. 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 September 30, 2022 and December 31, 2021, \$7 million and \$8 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 6, 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 September 30, 2022 and December 31, 2021, \$6 million and \$7 million, respectively, 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:

<b>INVENTORY BALANCES</b>						
<i>(Dollars in millions)</i>						
	Sempra		SDG&E		SoCalGas	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Natural gas	\$ 249	\$ 164	\$ 1	\$ —	\$ 214	\$ 114
LNG	32	27	—	—	—	—
Materials and supplies	225	198	128	123	79	58
Total	\$ 506	\$ 389	\$ 129	\$ 123	\$ 293	\$ 172

## NOTE RECEIVABLE

In November 2021, Sempra loaned \$300 million to KKR 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. At September 30, 2022 and December 31, 2021, Other Long-Term Assets includes \$312 million and \$297 million, respectively, of outstanding principal, compounded interest and unamortized transaction costs, net of allowance for credit losses, and at December 31, 2021, Other Current Assets includes \$3 million of interest receivable on Sempra's Condensed Consolidated Balance Sheets.

## WILDFIRE FUND

In July 2019, the Wildfire Legislation was signed into law to address certain issues related to catastrophic wildfires in the State of California and their impact on electric IOUs. We discuss the Wildfire Legislation further in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

In August 2022, the OEIS approved SDG&E's 2022 Wildfire Mitigation Plan, which is effective until the OEIS approves a new plan.

SDG&E submitted its request to the OEIS for its annual wildfire safety certification in September 2022. OEIS has until December 2022 to issue the certification or provide written notice explaining why additional time is needed. SDG&E's existing safety certification remains valid until this pending request is resolved.

## 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.

<b>CAPITALIZED FINANCING COSTS</b>					
<i>(Dollars in millions)</i>					
	Three months ended September 30,		Nine months ended September 30,		
	2022	2021	2022	2021	
Sempra	\$ 65	\$ 52	\$ 182	\$ 166	
SDG&E	30	24	84	82	
SoCalGas	19	18	54	49	



## **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 September 30, 2022 and December 31, 2021. 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 \$1,200 million and \$1,217 million at September 30, 2022 and December 31, 2021, 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 \$13,558 million at September 30, 2022 and \$12,947 million at December 31, 2021.

## ***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 \$766 million at September 30, 2022 and \$514 million at December 31, 2021. 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 6.

### *CFIN*

As we discuss in Note 6, 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 9). 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 development activities related to the construction of the liquefaction facility, which we consider to be the most significant activities of ECA LNG Phase 1 during the construction phase of its natural gas liquefaction export project. As a result, we consolidate ECA LNG Phase 1. Sempra consolidated \$983 million and \$632 million of assets at September 30, 2022 and December 31, 2021, respectively, consisting primarily of PP&E, net, and Accounts Receivable – Other 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 \$677 million and \$455 million of liabilities at September 30, 2022 and December 31, 2021, respectively, consisting primarily of long-term debt, short-term debt and accounts payable 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 7, IEnova and TotalEnergies SE have provided guarantees for 83.4% and 16.6%, respectively, of the loan facility supporting construction of the liquefaction facility.

**PENSION AND OTHER POSTRETIREMENT BENEFITS**
**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 (Expense) Income, Net, table below.

**NET PERIODIC BENEFIT COST – SEMPRA**
*(Dollars in millions)*

	Pension benefits		Other postretirement benefits	
	Three months ended September 30,			
	2022	2021	2022	2021
Service cost	\$ 27	\$ 36	\$ 4	\$ 6
Interest cost	29	28	7	7
Expected return on assets	(46)	(44)	(16)	(14)
Amortization of:				
Prior service cost (credit)	3	3	(1)	(1)
Actuarial loss (gain)	8	12	(4)	(3)
Net periodic benefit cost (credit)	21	35	(10)	(5)
Regulatory adjustments	87	73	10	5
Total expense recognized	\$ 108	\$ 108	\$ —	\$ —

	Nine months ended September 30,			
	2022	2021	2022	2021
	Service cost	\$ 110	\$ 109	\$ 17
Interest cost	88	84	21	21
Expected return on assets	(137)	(130)	(48)	(44)
Amortization of:				
Prior service cost (credit)	8	8	(2)	(2)
Actuarial loss (gain)	19	34	(11)	(7)
Settlement charges	—	7	—	—
Net periodic benefit cost (credit)	88	112	(23)	(15)
Regulatory adjustments	84	66	23	15
Total expense recognized	\$ 172	\$ 178	\$ —	\$ —

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

	Pension benefits		Other postretirement benefits	
	Three months ended September 30,			
	2022	2021	2022	2021
Service cost	\$ 8	\$ 9	\$ 1	\$ 2
Interest cost	7	6	1	1
Expected return on assets	(13)	(11)	(2)	(2)
Amortization of:				
Actuarial loss (gain)	—	1	(1)	(1)
Net periodic benefit cost (credit)	2	5	(1)	—
Regulatory adjustments	24	21	1	—
Total expense recognized	\$ 26	\$ 26	\$ —	\$ —

	Pension benefits		Other postretirement benefits	
	Nine months ended September 30,			
	2022	2021	2022	2021
Service cost	\$ 28	\$ 26	\$ 4	\$ 4
Interest cost	20	18	4	4
Expected return on assets	(35)	(36)	(7)	(7)
Amortization of:				
Actuarial loss (gain)	1	2	(2)	(2)
Net periodic benefit cost (credit)	14	10	(1)	(1)
Regulatory adjustments	26	30	1	1
Total expense recognized	\$ 40	\$ 40	\$ —	\$ —

**NET PERIODIC BENEFIT COST – SOCIALGAS**
*(Dollars in millions)*

	Pension benefits		Other postretirement benefits	
	Three months ended September 30,			
	2022	2021	2022	2021
Service cost	\$ 16	\$ 23	\$ 3	\$ 5
Interest cost	20	19	5	5
Expected return on assets	(30)	(27)	(13)	(12)
Amortization of:				
Prior service cost (credit)	2	2	(1)	(1)
Actuarial loss (gain)	6	8	(3)	(2)
Net periodic benefit cost (credit)	14	25	(9)	(5)
Regulatory adjustments	63	52	9	5
Total expense recognized	\$ 77	\$ 77	\$ —	\$ —

	Pension benefits		Other postretirement benefits	
	Nine months ended September 30,			
	2022	2021	2022	2021
Service cost	\$ 72	\$ 73	\$ 13	\$ 13
Interest cost	61	59	16	16
Expected return on assets	(94)	(85)	(40)	(36)
Amortization of:				
Prior service cost (credit)	6	6	(2)	(2)
Actuarial loss (gain)	14	27	(9)	(5)
Net periodic benefit cost (credit)	59	80	(22)	(14)
Regulatory adjustments	58	36	22	14
Total expense recognized	\$ 117	\$ 116	\$ —	\$ —

**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 \$487 million and \$567 million at September 30, 2022 and December 31, 2021, 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Numerator:</b>				
Earnings (losses) attributable to common shares	\$ 485	\$ (648)	\$ 1,656	\$ 650
<b>Denominator:</b>				
Weighted-average common shares outstanding for basic EPS <sup>(1)</sup>	314,724	319,144	315,301	309,350
Dilutive effect of stock options and RSUs <sup>(2)(3)</sup>	1,363	—	1,156	797
Dilutive effect of mandatory convertible preferred stock	—	—	—	707
Weighted-average common shares outstanding for diluted EPS	316,087	319,144	316,457	310,854
<b>EPS:</b>				
Basic	\$ 1.54	\$ (2.03)	\$ 5.25	\$ 2.10
Diluted	\$ 1.53	\$ (2.03)	\$ 5.23	\$ 2.09

<sup>(1)</sup> Includes 401 and 451 fully vested RSUs held in our Deferred Compensation Plan for the three months ended September 30, 2022 and 2021, respectively, and 402 and 453 of such RSUs for the nine months ended September 30, 2022 and 2021, 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.

<sup>(2)</sup> In the three months ended September 30, 2021, the total weighted-average number of potentially dilutive stock options and RSUs was 699. However, these securities were not included in the computation of EPS because to do so would have decreased loss per share.

<sup>(3)</sup> 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 nine months ended September 30, 2022 excludes no potentially dilutive shares and 115,376 potentially dilutive shares, respectively, and the computation of diluted EPS for the three months and nine months ended September 30, 2021 excludes 147,840 and 240,654 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.

In 2021, the potentially dilutive impact from mandatory convertible preferred stock was calculated under the if-converted method until the mandatory conversion date. After the mandatory conversion date, the converted shares are included in weighted-average common shares outstanding for basic EPS. We converted all of our series A preferred stock into common stock on January 15, 2021 and all of our series B preferred stock into common stock on July 15, 2021. The computation of diluted EPS for the three months and nine months ended September 30, 2021 excludes 639,733 and 3,037,812 potentially dilutive shares, respectively.

In January 2022, pursuant to Sempra's share-based compensation plans, the Compensation and Talent Committee of Sempra's board of directors granted 219,898 nonqualified stock options, 338,080 performance-based RSUs and 150,286 service-based RSUs.

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<sup>(1)</sup>**

(Dollars in millions)

	Foreign currency translation adjustments	Financial instruments	Pension and other postretirement benefits	Total accumulated other comprehensive income (loss)
Three months ended September 30, 2022 and 2021				
<b>Sempra:</b>				
Balance at June 30, 2022	\$ (65)	\$ (30)	\$ (72)	\$ (167)
OCI before reclassifications	—	40	—	40
Amounts reclassified from AOCI	—	5	2	7
Net OCI	—	45	2	47
Balance at September 30, 2022	\$ (65)	\$ 15	\$ (70)	\$ (120)
Balance at June 30, 2021	\$ (88)	\$ (265)	\$ (91)	\$ (444)
OCI before reclassifications <sup>(2)</sup>	—	15	(8)	7
Amounts reclassified from AOCI	—	16	3	19
Net OCI <sup>(2)</sup>	—	31	(5)	26
Balance at September 30, 2021	\$ (88)	\$ (234)	\$ (96)	\$ (418)
<b>SDG&amp;E:</b>				
Balance at June 30, 2022			\$ (10)	\$ (10)
Amounts reclassified from AOCI			1	1
Net OCI			1	1
Balance at September 30, 2022			\$ (9)	\$ (9)
Balance at June 30, 2021			\$ (10)	\$ (10)
Amounts reclassified from AOCI			1	1
Net OCI			1	1
Balance at September 30, 2021			\$ (9)	\$ (9)
<b>SoCalGas:</b>				
Balance at June 30, 2022		\$ (12)	\$ (17)	\$ (29)
Amounts reclassified from AOCI		—	1	1
Net OCI		—	1	1
Balance at September 30, 2022		\$ (12)	\$ (16)	\$ (28)
Balance at June 30, 2021		\$ (13)	\$ (17)	\$ (30)
Amounts reclassified from AOCI		—	1	1
Net OCI		—	1	1
Balance at September 30, 2021		\$ (13)	\$ (16)	\$ (29)

<sup>(1)</sup> All amounts are net of income tax, if subject to tax, and after NCI.

<sup>(2)</sup> Total AOCI includes \$4 of foreign currency translation adjustments and \$2 of financial instruments associated with the IEnova cash tender offer, 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<sup>(1)</sup> (CONTINUED)**
*(Dollars in millions)*

	Foreign currency translation adjustments	Financial instruments	Pension and other postretirement benefits	Total accumulated other comprehensive income (loss)
Nine months ended September 30, 2022 and 2021				
<b>Sempra:</b>				
Balance at December 31, 2021	\$ (79)	\$ (156)	\$ (83)	\$ (318)
OCI before reclassifications	4	151	7	162
Amounts reclassified from AOCI <sup>(2)</sup>	10	20	6	36
Net OCI <sup>(2)</sup>	14	171	13	198
Balance at September 30, 2022	\$ (65)	\$ 15	\$ (70)	\$ (120)
Balance at December 31, 2020	\$ (64)	\$ (331)	\$ (105)	\$ (500)
OCI before reclassifications <sup>(3)</sup>	(24)	52	(3)	25
Amounts reclassified from AOCI	—	45	12	57
Net OCI <sup>(3)</sup>	(24)	97	9	82
Balance at September 30, 2021	\$ (88)	\$ (234)	\$ (96)	\$ (418)
<b>SDG&amp;E:</b>				
Balance at December 31, 2021			\$ (10)	\$ (10)
Amounts reclassified from AOCI			1	1
Net OCI			1	1
Balance at September 30, 2022			\$ (9)	\$ (9)
Balance at December 31, 2020			\$ (10)	\$ (10)
Amounts reclassified from AOCI			1	1
Net OCI			1	1
Balance at September 30, 2021			\$ (9)	\$ (9)
<b>SoCalGas:</b>				
Balance at December 31, 2021		\$ (13)	\$ (18)	\$ (31)
Amounts reclassified from AOCI		1	2	3
Net OCI		1	2	3
Balance at September 30, 2022		\$ (12)	\$ (16)	\$ (28)
Balance at December 31, 2020		\$ (13)	\$ (18)	\$ (31)
Amounts reclassified from AOCI		—	2	2
Net OCI		—	2	2
Balance at September 30, 2021		\$ (13)	\$ (16)	\$ (29)

<sup>(1)</sup> All amounts are net of income tax, if subject to tax, and after NCI.

<sup>(2)</sup> 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).

<sup>(3)</sup> Total AOCI includes \$(20) of foreign currency translation adjustments and \$(12) of financial instruments associated with the IEnova exchange offer and cash tender offer, which we discuss below in "Other Noncontrolling Interests – Sempra Infrastructure." These transactions did not impact the Condensed Consolidated Statement of Comprehensive Income (Loss).

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

Details about accumulated other comprehensive income (loss) components	Amounts reclassified from accumulated other comprehensive income (loss)		Affected line item on Condensed Consolidated Statements of Operations
	Three months ended September 30,		
	2022	2021	
<b>Sempra:</b>			
Financial instruments:			
Interest rate instruments	\$ 2	\$ (1)	Interest Expense
Interest rate instruments	1	19	Equity Earnings <sup>(1)</sup>
Interest rate and foreign exchange instruments	3	5	Other (Expense) Income, Net
Total, before income tax	6	23	
	(2)	(7)	Income Tax (Expense) Benefit
Total, net of income tax	4	16	
	1	—	Earnings Attributable to Noncontrolling Interests
Total, net of income tax and after NCI	\$ 5	\$ 16	
Pension and other postretirement benefits <sup>(2)</sup> :			
Amortization of actuarial loss	\$ 2	\$ 3	Other (Expense) Income, Net
Amortization of prior service cost	1	1	Other (Expense) Income, Net
Total, before income tax	3	4	
	(1)	(1)	Income Tax (Expense) Benefit
Total, net of income tax	\$ 2	\$ 3	
Total reclassifications for the period, net of income tax and after NCI	\$ 7	\$ 19	
<b>SDG&amp;E:</b>			
Pension and other postretirement benefits <sup>(2)</sup> :			
Amortization of actuarial loss	\$ 1	\$ —	Other Income, Net
Amortization of prior service cost	—	1	Other Income, Net
Total reclassifications for the period, net of income tax	\$ 1	\$ 1	
<b>SoCalGas:</b>			
Pension and other postretirement benefits <sup>(2)</sup> :			
Amortization of actuarial loss	\$ —	\$ 1	Other Expense, Net
Amortization of prior service cost	1	—	Other Expense, Net
Total reclassifications for the period, net of income tax	\$ 1	\$ 1	

<sup>(1)</sup> Equity earnings at our foreign equity method investees are recognized after tax.

<sup>(2)</sup> Amounts are included in the computation of net periodic benefit cost (see "Pension and Other Postretirement Benefits" above).



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

Details about accumulated other comprehensive income (loss) components	Amounts reclassified from accumulated other comprehensive income (loss)		Affected line item on Condensed Consolidated Statements of Operations
	Nine months ended September 30,		
	2022	2021	
<b>Sempra:</b>			
Foreign currency translation adjustments	\$ 1	\$ —	Operation and Maintenance
Financial instruments:			
Interest rate instruments	\$ 1	\$ —	Interest Expense
Interest rate instruments	28	57	Equity Earnings <sup>(1)</sup>
Foreign exchange instruments	(2)	1	Revenues: Energy-Related Businesses
	1	—	Other (Expense) Income, Net
Foreign exchange instruments	(1)	1	Equity Earnings <sup>(1)</sup>
Interest rate and foreign exchange instruments	(1)	—	Interest Expense
	(3)	4	Other (Expense) Income, Net
Total, before income tax	23	63	
	(7)	(16)	Income Tax (Expense) Benefit
Total, net of income tax	16	47	
	4	(2)	Earnings Attributable to Noncontrolling Interests
Total, net of income tax and after NCI	\$ 20	\$ 45	
Pension and other postretirement benefits <sup>(2)</sup> :			
Amortization of actuarial loss	\$ 6	\$ 6	Other (Expense) Income, Net
Amortization of prior service cost	3	3	Other (Expense) Income, Net
Settlement charges	—	7	Other (Expense) Income, Net
Total, before income tax	9	16	
	(3)	(4)	Income Tax (Expense) Benefit
Total, net of income tax	\$ 6	\$ 12	
Total reclassifications for the period, net of income tax and after NCI			
	\$ 27	\$ 57	
<b>SDG&amp;E:</b>			
Pension and other postretirement benefits <sup>(2)</sup> :			
Amortization of actuarial loss	\$ 1	\$ —	Other Income, Net
Amortization of prior service cost	—	1	Other Income, Net
Total reclassifications for the period, net of income tax	\$ 1	\$ 1	
<b>SoCalGas:</b>			
Financial instruments:			
Interest rate instruments	\$ 1	\$ —	Interest Expense
Pension and other postretirement benefits <sup>(2)</sup> :			
Amortization of actuarial loss	\$ 1	\$ 1	Other Expense, Net
Amortization of prior service cost	1	1	Other Expense, Net
Total, net of income tax	\$ 2	\$ 2	
Total reclassifications for the period, net of income tax			
	\$ 3	\$ 2	

<sup>(1)</sup> Equity earnings at our foreign equity method investees are recognized after tax.

<sup>(2)</sup> Amounts are included in the computation of net periodic benefit cost (see "Pension and Other Postretirement Benefits" above).

## SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS

### **Sempra Series A Preferred Stock**

On January 15, 2021, we converted all 17,250,000 shares of series A preferred stock into 13,781,025 shares of our common stock based on a conversion rate of 0.7989 shares of our common stock for each issued and outstanding share of series A preferred stock. As a consequence, no shares of series A preferred stock were outstanding after January 15, 2021 and the 17,250,000 shares that were formerly series A preferred stock returned to the status of authorized and unissued shares of preferred stock.

### **Sempra Series B Preferred Stock**

As of July 15, 2021, we had converted, pursuant to either early conversions at the election of the holder or the mandatory conversion of all outstanding shares, all 5,750,000 shares of series B preferred stock into 4,256,720 shares of our common stock and a nominal amount of cash in lieu of fractional share interests, based on a conversion rate of 0.7403 shares of our common stock for each issued and outstanding share of series B preferred stock. As a consequence, no shares of series B preferred stock were outstanding after July 15, 2021 and the 5,750,000 shares that were formerly series B preferred stock have returned to the status of authorized and unissued shares of preferred stock.

### **Sempra Common Stock Repurchases**

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.

<b>OTHER NONCONTROLLING INTERESTS</b>						
<i>(Dollars in millions)</i>						
	Percent ownership held by noncontrolling interests				Equity held by noncontrolling interests	
	September 30, 2022		December 31, 2021		September 30, 2022	December 31, 2021
<b>Sempra Infrastructure:</b>						
SI Partners	30.0	%	20.0	%	\$ 2,192	\$ 1,384
SI Partners subsidiaries <sup>(1)</sup>	0.1 - 16.6		0.1 - 16.6		47	34
Total Sempra					\$ 2,239	\$ 1,418

<sup>(1)</sup> 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 in SI Partners to ADIA.** On June 1, 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 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.

At the closing of the sale of NCI in SI Partners to ADIA, SI Partners indirectly owned 99.9% of the outstanding shares of IEnova. To the extent we acquire additional shares of IEnova after the closing, such additional shares will be acquired by SI Partners, and KKR and ADIA will provide 20% and 10%, respectively, of the funding.

At the closing, KKR and ADIA (the Minority Partners) and Sempra entered into a second amended and restated agreement of limited partnership of SI Partners (the Amended LP Agreement), which governs their respective rights and obligations in respect of their ownership of SI Partners. Under the Amended LP Agreement, matters are decided generally by majority vote and the managers designated by Sempra, KKR and ADIA each, as a group, have voting power equivalent to the ownership percentage of their respective designating limited partner. Sempra maintains control of SI Partners. However, SI Partners and its controlled subsidiaries are prohibited from taking certain limited actions without the prior written approval of the Minority Partners (subject to each Minority Partner maintaining certain ownership thresholds in SI Partners). The minority protections held by ADIA constitute a subset of the minority protections granted to KKR.

The terms of the Amended LP Agreement applicable to ADIA in relation to capital contributions and distributions are generally consistent with those granted to KKR, with adjustments and limitations to take into account ADIA's relative ownership percentage, including limiting ADIA's priority distribution rights to the failure of certain proposed projects to receive a positive final investment decision by a certain date or to achieve specified thresholds of projected internal rates of return or leverage. The transfer rights and restrictions and registration rights in the Amended LP Agreement applicable to ADIA are also generally consistent with those granted to KKR, with adjustments and limitations to take into account ADIA's relative ownership percentage, including a general restriction on ADIA transferring its interests in SI Partners to third parties (other than pursuant to certain specified permitted transfers) for a specified period following its entry into the Amended LP Agreement.

**SI Partners Subsidiaries.** In May 2021, we acquired 381,015,194 publicly owned shares of IEnova in exchange for 12,306,777 newly issued shares of our common stock upon completion of our exchange offer launched in the U.S. and Mexico, which increased our ownership interest in IEnova from 70.2% to 96.4%. We acquired the IEnova shares at an exchange ratio of 0.0323 shares of our common stock for each one IEnova share. In connection with the exchange offer, we recorded a \$1.4 billion decrease in equity held by NCI and an increase in Sempra's shareholders' equity of \$1.4 billion, net of \$12 million in transactions costs.

In September 2021, we acquired 51,014,545 publicly owned shares of IEnova for 4.0 billion Mexican pesos (approximately \$202 million in U.S. dollars) in cash upon completion of our tender offer launched in the U.S. and Mexico in August 2021, which increased our ownership interest in IEnova from 96.4% to 99.9%. We acquired these IEnova shares at a price of 78.97 Mexican pesos per share (approximately \$3.95 per share in U.S. dollars). In connection with the cash tender offer, we recorded a \$188 million decrease in equity held by NCI and a decrease in Sempra's shareholders' equity of \$14 million, including \$1 million in transaction costs.

As a result of the increase in our ownership interest in IEnova, we recorded an increase in Sempra's shareholders' equity of \$84 million offset by a deferred income tax asset related to the outside basis difference in IEnova's shares.

Following the exchange offer we completed in May 2021 and the cash tender offer we completed in September 2021, IEnova's shares were delisted from the Mexican Stock Exchange effective October 15, 2021. In connection with the delisting, we are maintaining a trust for the purpose of purchasing the 1,212,981 IEnova shares that remained publicly owned as of the completion of the cash tender offer for 78.97 Mexican pesos per share, the same price per share that was offered in our cash tender offer. The trust was to be in place through the earlier of April 14, 2022 or the date on which we acquired all the remaining publicly owned IEnova shares. On April 13, 2022, the term of the trust was amended so that it will remain in place until we terminate it, subject to any maximum term under applicable Mexican law. As of October 31, 2022, an aggregate of 861,439 of the remaining publicly owned IEnova shares had been acquired by such trust.

In July 2021, Sempra Infrastructure acquired the remaining 17.5% interest held by NCI in ICM Ventures Holdings B.V. for \$7 million.

**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)

	September 30, 2022	December 31, 2021
<b>Sempra:</b>		
Tax sharing arrangement with Oncor Holdings	\$ 41	\$ 18
Various affiliates	11	5
Total due from unconsolidated affiliates – current	\$ 52	\$ 23
Sempra Infrastructure – IMG – Note due March 15, 2022, net of allowance for credit losses of \$1 at December 31, 2021 <sup>(1)</sup>		
Total due from unconsolidated affiliates – noncurrent	\$ —	\$ 637
<b>Sempra Infrastructure<sup>(2)</sup>:</b>		
TAG Pipelines Norte, S. de R.L. de C.V.:		
5.5% Note due January 9, 2024	\$ (39)	\$ (69)
5.5% Note due January 14, 2025	(22)	(21)
5.5% Note due July 16, 2025	(21)	(20)
5.5% Note due January 14, 2026	(18)	—
5.5% Note due July 14, 2026	(11)	—
TAG – 5.74% Note due December 17, 2029	(185)	(177)
Total due to unconsolidated affiliates – noncurrent	\$ (296)	\$ (287)
<b>SDG&amp;E:</b>		
Sempra	\$ (64)	\$ (40)
SoCalGas	(24)	(48)
Various affiliates	(5)	(9)
Total due to unconsolidated affiliates – current	\$ (93)	\$ (97)
Income taxes due from Sempra <sup>(3)</sup>	\$ 37	\$ 19
<b>SoCalGas:</b>		
SDG&E	\$ 24	\$ 48
Various affiliates	—	1
Total due from unconsolidated affiliates – current	\$ 24	\$ 49
Sempra		
Total due to unconsolidated affiliates – current	\$ (42)	\$ (36)
Income taxes due from Sempra <sup>(3)</sup>	\$ 9	\$ 6

<sup>(1)</sup> At December 31, 2021, represents a Mexican peso-denominated revolving line of credit for up to 14.2 billion Mexican pesos or approximately \$691 U.S. dollar-equivalent at a variable interest rate based on the 91-day Interbank Equilibrium Interest Rate plus 220 bps (8.06% at December 31, 2021). At December 31, 2021, \$2 of accrued interest receivable is included in Due from Unconsolidated Affiliates – Current. In March 2022, Sempra Infrastructure amended and restated the revolving line of credit to a U.S. dollar-denominated note in the amount of \$625 at a variable interest rate based on the adjusted 1-month Secured Overnight Financing Rate plus 180 bps and extended the maturity date to March 15, 2023. In July 2022, this note receivable was paid in full.

<sup>(2)</sup> U.S. dollar-denominated loans at fixed interest rates. Amounts include principal balances plus accumulated interest outstanding.

<sup>(3)</sup> 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.

The following table summarizes income statement information from unconsolidated affiliates.

<b>INCOME STATEMENT IMPACT FROM UNCONSOLIDATED AFFILIATES</b>				
<i>(Dollars in millions)</i>				
	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Sempra:</b>				
Revenues	\$ 10	\$ 7	\$ 32	\$ 22
Cost of sales	—	—	—	11
Interest income	2	11	16	38
Interest expense	4	4	12	11
<b>SDG&amp;E:</b>				
Revenues	\$ 4	\$ 3	\$ 12	\$ 7
Cost of sales	17	20	67	75
<b>SoCalGas:</b>				
Revenues	\$ 24	\$ 24	\$ 73	\$ 72
Cost of sales <sup>(1)</sup>	(1)	(2)	(5)	1

<sup>(1)</sup> 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 6 below and in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

**OTHER (EXPENSE) INCOME, NET**

Other (expense) income, net, consists of the following:

**OTHER (EXPENSE) INCOME, NET**

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Sempra:</b>				
Allowance for equity funds used during construction	\$ 35	\$ 31	\$ 104	\$ 103
Investment (losses) gains, net <sup>(1)</sup>	(13)	—	(60)	28
(Losses) gains on interest rate and foreign exchange instruments, net	(3)	(3)	2	(26)
Foreign currency transaction gains (losses), net <sup>(2)</sup>	4	(17)	(18)	(10)
Non-service components of net periodic benefit cost	(77)	(66)	(45)	(52)
Interest on regulatory balancing accounts, net	7	2	12	5
Sundry, net	7	(2)	2	4
<b>Total</b>	<b>\$ (40)</b>	<b>\$ (55)</b>	<b>\$ (3)</b>	<b>\$ 52</b>
<b>SDG&amp;E:</b>				
Allowance for equity funds used during construction	\$ 22	\$ 18	\$ 64	\$ 63
Non-service components of net periodic benefit cost	(17)	(15)	(8)	(10)
Interest on regulatory balancing accounts, net	5	2	9	5
Sundry, net	2	(1)	3	3
<b>Total</b>	<b>\$ 12</b>	<b>\$ 4</b>	<b>\$ 68</b>	<b>\$ 61</b>
<b>SoCalGas:</b>				
Allowance for equity funds used during construction	\$ 14	\$ 13	\$ 40	\$ 36
Non-service components of net periodic benefit cost	(58)	(49)	(32)	(30)
Interest on regulatory balancing accounts, net	2	—	3	—
Sundry, net	(1)	(3)	(16)	(8)
<b>Total</b>	<b>\$ (43)</b>	<b>\$ (39)</b>	<b>\$ (5)</b>	<b>\$ (2)</b>

<sup>(1)</sup> Represents net investment (losses) gains 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.

<sup>(2)</sup> Includes losses of \$11 in the nine months ended September 30, 2022 and losses of \$18 and \$13 in the three months and nine months ended September 30, 2021, respectively, 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 Statements 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Sempra:</b>				
Income tax expense (benefit)	\$ 21	\$ (342)	\$ 435	\$ (45)
Income (loss) before income taxes and equity earnings	\$ 165	\$ (1,365)	\$ 1,194	\$ (316)
Equity earnings, before income tax <sup>(1)</sup>	134	137	436	457
Pretax income (loss)	\$ 299	\$ (1,228)	\$ 1,630	\$ 141
Effective income tax rate	7 %	28 %	27 %	(32)%
<b>SDG&amp;E:</b>				
Income tax expense	\$ 35	\$ 90	\$ 141	\$ 168
Income before income taxes	\$ 306	\$ 295	\$ 822	\$ 771
Effective income tax rate	11 %	31 %	17 %	22 %
<b>SoCalGas:</b>				
Income tax (benefit) expense	\$ (28)	\$ (437)	\$ 75	\$ (335)
(Loss) income before income taxes	\$ (110)	\$ (1,563)	\$ 415	\$ (959)
Effective income tax rate	25 %	28 %	18 %	35 %

<sup>(1)</sup> 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 or benefit, 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

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

In the nine months ended September 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

We describe below recent accounting pronouncements that have had or may have a significant effect on our results of operations, financial condition, cash flows or disclosures.

**ASU 2020-06, “Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity”:** ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. In addition to other changes, this standard amends ASC 470-20, “Debt with Conversion and Other Options,” by removing the accounting models for instruments with beneficial and cash conversion features. The standard also amends certain guidance in ASC 260, “Earnings Per Share,” for the computation of EPS for convertible instruments and contracts on an entity’s own equity. For public entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. An entity can use either a full or modified retrospective approach to adopt ASU 2020-06 and must disclose, in the period of adoption, EPS transition information about the effect of the change on affected per-share amounts. We adopted the standard on January 1, 2022 using a modified retrospective approach and the adoption did not materially impact our financial statements or per-share amounts.



### 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 September 30, 2022					
<b>By major service line:</b>					
Utilities	\$ 1,383	\$ 1,214	\$ 19	\$ (29)	\$ 2,587
Energy-related businesses	—	—	532	(13)	519
Revenues from contracts with customers	\$ 1,383	\$ 1,214	\$ 551	\$ (42)	\$ 3,106
<b>By market:</b>					
Gas	\$ 175	\$ 1,214	\$ 379	\$ (30)	\$ 1,738
Electric	1,208	—	172	(12)	1,368
Revenues from contracts with customers	\$ 1,383	\$ 1,214	\$ 551	\$ (42)	\$ 3,106
Revenues from contracts with customers	\$ 1,383	\$ 1,214	\$ 551	\$ (42)	\$ 3,106
Utilities regulatory revenues	186	171	—	—	357
Other revenues	—	—	146	8	154
Total revenues	\$ 1,569	\$ 1,385	\$ 697	\$ (34)	\$ 3,617
Nine months ended September 30, 2022					
<b>By major service line:</b>					
Utilities	\$ 4,134	\$ 4,473	\$ 67	\$ (85)	\$ 8,589
Energy-related businesses	—	—	1,281	(42)	1,239
Revenues from contracts with customers	\$ 4,134	\$ 4,473	\$ 1,348	\$ (127)	\$ 9,828
<b>By market:</b>					
Gas	\$ 664	\$ 4,473	\$ 948	\$ (75)	\$ 6,010
Electric	3,470	—	400	(52)	3,818
Revenues from contracts with customers	\$ 4,134	\$ 4,473	\$ 1,348	\$ (127)	\$ 9,828
Revenues from contracts with customers	\$ 4,134	\$ 4,473	\$ 1,348	\$ (127)	\$ 9,828
Utilities regulatory revenues	279	406	—	—	685
Other revenues	—	—	462	9	471
Total revenues	\$ 4,413	\$ 4,879	\$ 1,810	\$ (118)	\$ 10,984

**DISAGGREGATED REVENUES (CONTINUED)**
*(Dollars in millions)*

	SDG&E	SoCalGas	Sempra Infrastructure	Consolidating adjustments and Parent and other	Sempra
Three months ended September 30, 2021					
<b>By major service line:</b>					
Utilities	\$ 1,369	\$ 966	\$ 17	\$ (27)	\$ 2,325
Energy-related businesses	—	—	327	(4)	323
Revenues from contracts with customers	\$ 1,369	\$ 966	\$ 344	\$ (31)	\$ 2,648
<b>By market:</b>					
Gas	\$ 145	\$ 966	\$ 235	\$ (26)	\$ 1,320
Electric	1,224	—	109	(5)	1,328
Revenues from contracts with customers	\$ 1,369	\$ 966	\$ 344	\$ (31)	\$ 2,648
Revenues from contracts with customers	\$ 1,369	\$ 966	\$ 344	\$ (31)	\$ 2,648
Utilities regulatory revenues	95	140	—	—	235
Other revenues	—	—	135	(5)	130
Total revenues	\$ 1,464	\$ 1,106	\$ 479	\$ (36)	\$ 3,013

Nine months ended September 30, 2021

<b>By major service line:</b>					
Utilities	\$ 3,755	\$ 3,685	\$ 61	\$ (79)	\$ 7,422
Energy-related businesses	—	—	856	(19)	837
Revenues from contracts with customers	\$ 3,755	\$ 3,685	\$ 917	\$ (98)	\$ 8,259
<b>By market:</b>					
Gas	\$ 580	\$ 3,685	\$ 632	\$ (74)	\$ 4,823
Electric	3,175	—	285	(24)	3,436
Revenues from contracts with customers	\$ 3,755	\$ 3,685	\$ 917	\$ (98)	\$ 8,259
Revenues from contracts with customers	\$ 3,755	\$ 3,685	\$ 917	\$ (98)	\$ 8,259
Utilities regulatory revenues	364	53	—	—	417
Other revenues	—	—	352	(15)	337
Total revenues	\$ 4,119	\$ 3,738	\$ 1,269	\$ (113)	\$ 9,013

**REVENUES FROM CONTRACTS WITH CUSTOMERS**
**Remaining Performance Obligations**

For contracts greater than one year, at September 30, 2022, 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 September 30, 2022.

**REMAINING PERFORMANCE OBLIGATIONS<sup>(1)</sup>**
*(Dollars in millions)*

	Sempra	SDG&E
2022 (excluding first nine months of 2022)	\$ 100	\$ 1
2023	384	4
2024	385	4
2025	384	4
2026	382	4
Thereafter	4,525	63
Total revenues to be recognized	\$ 6,160	\$ 80

<sup>(1)</sup> 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 nine months ended September 30, 2022 or 2021. As we discuss in Note 11, Sempra Infrastructure drew against and fully exhausted Gazprom's letters of credit in April 2022 due to Gazprom'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. Gazprom did not pay its invoices from March 2022 through July 2022, so funds drawn from the letters of credit were used to fully offset such nonpayment, which have been reflected as revenue from performance obligations satisfied during the reporting period.

<b>CONTRACT LIABILITIES</b>				
<i>(Dollars in millions)</i>				
	2022		2021	
<b>Sempra:</b>				
Contract liabilities at January 1	\$	(278)	\$	(207)
Revenue from performance obligations satisfied during reporting period		129		36
Payments received in advance		(105)		(1)
Contract liabilities at September 30 <sup>(1)</sup>	\$	(254)	\$	(172)
<b>SDG&amp;E:</b>				
Contract liabilities at January 1	\$	(83)	\$	(87)
Revenue from performance obligations satisfied during reporting period		3		3
Contract liabilities at September 30 <sup>(1)</sup>	\$	(80)	\$	(84)

<sup>(1)</sup> Balances at September 30, 2022 include \$46 and \$4 in Other Current Liabilities and \$208 and \$76 in Deferred Credits and Other on Sempra's and SDG&E's Condensed Consolidated Balance Sheets, respectively.

### 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.

<b>RECEIVABLES FROM REVENUES FROM CONTRACTS WITH CUSTOMERS</b>				
<i>(Dollars in millions)</i>				
	September 30, 2022		December 31, 2021	
<b>Sempra:</b>				
Accounts receivable – trade, net <sup>(1)</sup>	\$	1,645	\$	1,886
Accounts receivable – other, net		28		19
Due from unconsolidated affiliates – current <sup>(2)</sup>		8		2
Other long-term assets <sup>(3)</sup>		25		70
Total	\$	1,706	\$	1,977
<b>SDG&amp;E:</b>				
Accounts receivable – trade, net <sup>(1)</sup>	\$	792	\$	715
Accounts receivable – other, net		11		9
Due from unconsolidated affiliates – current <sup>(2)</sup>		3		2
Other long-term assets <sup>(3)</sup>		13		25
Total	\$	819	\$	751
<b>SoCalGas:</b>				
Accounts receivable – trade, net	\$	710	\$	1,084
Accounts receivable – other, net		17		10
Other long-term assets <sup>(3)</sup>		12		45
Total	\$	739	\$	1,139

<sup>(1)</sup> At September 30, 2022 and December 31, 2021, includes \$104 and \$24, respectively, of receivables due from customers that were billed on behalf of CCAs, which are not included in revenues.

<sup>(2)</sup> Amount is presented net of amounts due to unconsolidated affiliates on the Condensed Consolidated Balance Sheets, when right of offset exists.

<sup>(3)</sup> 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)

	September 30, 2022	December 31, 2021
<b>SDG&amp;E:</b>		
Fixed-price contracts and other derivatives	\$ (33)	\$ (50)
Deferred income taxes recoverable in rates	217	125
Pension and other postretirement benefit plan obligations	(32)	(7)
Removal obligations	(2,175)	(2,251)
Environmental costs	61	62
Sunrise Powerlink fire mitigation	122	122
Regulatory balancing accounts <sup>(1)(2)</sup>		
Commodity – electric	185	77
Gas transportation	45	49
Safety and reliability	93	67
Public purpose programs	(96)	(107)
Wildfire mitigation plan	316	178
Liability insurance premium	100	110
Other balancing accounts	144	207
Other regulatory assets, net <sup>(2)</sup>	140	119
<b>Total SDG&amp;E</b>	<b>(913)</b>	<b>(1,299)</b>
<b>SoCalGas:</b>		
Deferred income taxes recoverable in rates	122	44
Pension and other postretirement benefit plan obligations	(36)	51
Employee benefit costs	31	31
Removal obligations	(606)	(627)
Environmental costs	33	34
Regulatory balancing accounts <sup>(1)(2)</sup>		
Commodity – gas, including transportation	(24)	(146)
Safety and reliability	491	339
Public purpose programs	(197)	(183)
Liability insurance premium	21	16
Other balancing accounts	135	42
Other regulatory assets, net <sup>(2)</sup>	167	142
<b>Total SoCalGas</b>	<b>137</b>	<b>(257)</b>
<b>Sempra Infrastructure:</b>		
Deferred income taxes recoverable in rates	77	77
<b>Total Sempra</b>	<b>\$ (699)</b>	<b>\$ (1,479)</b>

<sup>(1)</sup> At September 30, 2022 and December 31, 2021, the noncurrent portion of regulatory balancing accounts – net undercollected for SDG&E was \$541 and \$358, respectively, and for SoCalGas was \$695 and \$410, respectively.

<sup>(2)</sup> 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 are proposing 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. 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. SDG&E and SoCalGas expect the final decision will be effective 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 mid-2023 for costs incurred from 2019 through 2022 and in mid-2024 for costs incurred in 2023.

### CPUC Cost of Capital

A CPUC cost of capital proceeding determines a utility's authorized capital structure and authorized return on rate base. 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 based on 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. Alternatively, each of SDG&E and SoCalGas is permitted to file a cost of capital application in an interim year in which an extraordinary or catastrophic event materially impacts its cost of capital and affects utilities differently than the market as a whole to have its cost of capital determined in lieu of the CCM.

### Authorized Cost of Capital, Subject to the CCM

In December 2019, the CPUC approved the cost of capital (shown in the table below) for SDG&E and SoCalGas that became effective on January 1, 2020 and will remain in effect through December 31, 2022, subject to the CCM. SDG&E's CCM benchmark rate is 4.498% based on Moody's Baa- utility bond index, and SoCalGas' CCM benchmark rate is 4.029% based on Moody's A- utility bond index.

#### AUTHORIZED CPUC COST OF CAPITAL, SUBJECT TO THE CCM

SDG&E				SoCalGas			
Authorized weighting	Return on rate base	Weighted return on rate base		Authorized weighting	Return on rate base	Weighted return on rate base	
45.25 %	4.59 %	2.08 %	<b>Long-Term Debt</b>	45.60 %	4.23 %	1.93 %	
2.75	6.22	0.17	<b>Preferred Equity</b>	2.40	6.00	0.14	
52.00	10.20	5.30	<b>Common Equity</b>	52.00	10.05	5.23	
<b>100.00 %</b>		<b>7.55 %</b>		<b>100.00 %</b>		<b>7.30 %</b>	

For the measurement period that ended September 30, 2021, the CCM would trigger for SDG&E if the CPUC determines that the CCM should be implemented because the average Moody's Baa- utility bond index between October 1, 2020 and September 30, 2021 was 1.17% below SDG&E's CCM benchmark rate of 4.498%. In August 2021, SDG&E filed an application with the CPUC to update its cost of capital due to the ongoing effects of the COVID-19 pandemic rather than have the CCM apply. In December 2021, the CPUC established a proceeding to determine if SDG&E's cost of capital was impacted by an extraordinary event such that the CCM should not apply.

In November 2022, the CPUC approved a proposed decision that found there was an extraordinary event, the CCM will be suspended for 2022 and SDG&E's current authorized cost of capital for 2022 will be preserved.

### Proposed Cost of Capital

In April 2022, SDG&E and SoCalGas each filed applications with the CPUC to update their cost of capital, as modified by an update to the cost of their long-term debt submitted in September 2022 (shown in the table below), which would become effective

on January 1, 2023 and would remain in effect through December 31, 2025, subject to the CCM if it remains in place as proposed. SDG&E and SoCalGas expect to receive a final decision by the end of 2022.

## PROPOSED CPUC COST OF CAPITAL

SDG&E				SoCalGas		
Authorized weighting	Return on rate base	Weighted return on rate base		Authorized weighting	Return on rate base	Weighted return on rate base
46.00 %	4.05 %	1.86 %	<b>Long-Term Debt</b>	45.60 %	4.07 %	1.86 %
—	—	—	<b>Preferred Equity</b>	0.40	6.00	0.02
54.00	10.55	5.70	<b>Common Equity</b>	54.00	10.75	5.81
<b>100.00 %</b>		<b>7.56 %</b>		<b>100.00 %</b>		<b>7.69 %</b>

## SOCALGAS

### OSCs – Energy Efficiency and Advocacy

In October 2019, the CPUC issued an OSC to determine whether SoCalGas should be sanctioned for violation of certain CPUC code sections and orders relating to energy efficiency (EE) codes and standards advocacy activities, which were undertaken by SoCalGas following a CPUC decision disallowing SoCalGas' future engagement in advocacy around such EE codes and standards. In March 2022, the CPUC issued a final decision that found that SoCalGas did undertake prohibited EE codes and standards advocacy activities using ratepayer funds. The final decision imposed on SoCalGas a financial penalty of \$10 million; customer refunds for certain ratepayer expenditures and shareholder incentives that SoCalGas estimates will be negligible; and a prohibition from recovering from ratepayers costs of proposed codes and standards advocacy activities until SoCalGas demonstrates policies, practices and procedures that adhere to the CPUC's intent for codes and standards advocacy.

In December 2019, the CPUC issued a second OSC to determine whether SoCalGas is entitled to the EE program's shareholder incentives for codes and standards advocacy activities in 2016 and 2017 (later expanded to include 2014 and 2015), whether its shareholders should bear the costs of those advocacy activities, and to address whether any other remedies are appropriate. In April 2022, the CPUC issued a final decision that found there were violations of certain legal principles and imposed a financial penalty of \$150,000.

## NOTE 5. ACQUISITIONS AND DIVESTITURES

### ACQUISITION

#### Sempra Infrastructure

##### ESJ

In March 2021, Sempra Infrastructure completed the acquisition of Saavi Energía's 50% equity interest in ESJ for a purchase price of \$65 million (net of \$14 million of acquired cash and cash equivalents) plus the assumption of \$277 million in debt (including \$94 million owed from ESJ to Sempra Infrastructure that eliminates upon consolidation). Sempra Infrastructure previously accounted for its 50% interest in ESJ as an equity method investment. This acquisition increased Sempra Infrastructure's ownership interest in ESJ from 50% to 100%. We accounted for this asset acquisition using a cost accumulation model whereby the cost of the acquisition and carrying value of our previously held interest in ESJ (\$34 million) were allocated to assets acquired (\$458 million) and liabilities assumed (\$345 million) based on their relative fair values. ESJ owns a fully operating wind power generation facility with a nameplate capacity of 155 MW that is fully contracted by SDG&E under a long-term PPA. Sempra Infrastructure recorded a \$190 million intangible asset for the relative fair value of the PPA that will be amortized over a period of 14 years against revenues. On January 15, 2022, ESJ completed construction and began commercial operation of a second wind power generation facility with a nameplate capacity of 108 MW that is also fully contracted by SDG&E under a long-term PPA.

## NOTE 6. 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 12 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 Notes 5 and 6 of the Notes to Consolidated Financial Statements in the Annual Report.

### SEMPRA TEXAS UTILITIES

#### *Oncor Holdings*

We account for our 100% ownership interest in Oncor Holdings, which owns an 80.25% interest in Oncor, as an equity method investment. Due to the ring-fencing 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 nine months ended September 30, 2022 and 2021, Sempra contributed \$256 million and \$151 million, respectively, to Oncor Holdings, and Oncor Holdings distributed \$255 million and \$239 million, respectively, to Sempra. Additionally, in the nine months ended September 30, 2021, Oncor Holdings distributed a \$361 million return of investment 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Operating revenues	\$ 1,438	\$ 1,286	\$ 3,980	\$ 3,572
Operating expenses	(929)	(866)	(2,734)	(2,531)
Income from operations	509	420	1,246	1,041
Interest expense	(115)	(104)	(331)	(308)
Income tax expense	(70)	(54)	(164)	(124)
Net income	315	255	732	587
Noncontrolling interest held by Texas Transmission Investment LLC	(62)	(51)	(146)	(118)
Earnings attributable to Sempra <sup>(1)</sup>	253	204	586	469

<sup>(1)</sup> 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 nine months ended September 30, 2022, Sempra Infrastructure contributed \$19 million to Cameron LNG JV. In the nine months ended September 30, 2022 and 2021, Cameron LNG JV distributed to Sempra Infrastructure \$388 million and \$496 million, respectively, of which \$165 million relates to the 2021 distribution from Cameron LNG JV's SDSRA that we discuss below.

#### *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 \$21 million at September 30, 2022, 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 its 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 will 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 will recognize 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 9). At September 30, 2022, the fair value of the Support Agreement was \$16 million, of which \$7 million is included in Other Current Assets and \$9 million is included in Other Long-Term Assets on Sempra's Condensed Consolidated Balance Sheet.

#### *ESJ*

As we discuss in Note 5, in March 2021, Sempra Infrastructure completed the acquisition of the remaining 50% equity interest in ESJ and ESJ became a wholly owned, consolidated subsidiary. Prior to the acquisition date, Sempra Infrastructure owned 50% of ESJ and accounted for its interest as an equity method investment. In the nine months ended September 30, 2021, ESJ distributed a \$4 million return of investment to IEnova.

#### *TAG*

In the nine months ended September 30, 2022, TAG distributed \$32 million to Sempra Infrastructure.

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## NOTE 7. 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 September 30, 2022, Sempra had an aggregate capacity of \$9.5 billion under seven 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.

		September 30, 2022			
		Total facility	Commercial paper outstanding	Amounts outstanding	Available unused credit
Borrower	Expiration date of facility				
Sempra	May 2024	\$ 3,185	\$ (161)	\$ —	\$ 3,024
Sempra	May 2024	1,250	—	—	1,250
SDG&E	May 2024	1,500	—	—	1,500
SoCalGas	May 2024	750	(427)	—	323
SI Partners	November 2024	1,000	—	—	1,000
IEnova	September 2023	350	—	(295)	55
IEnova	February 2024	1,500	—	—	1,500
Total		\$ 9,535	\$ (588)	\$ (295)	\$ 8,652

In October 2022, Sempra, SDG&E and SoCalGas each entered into a separate five-year credit facility all expiring in October 2027. The credit facilities permit borrowings of up to \$4.0 billion by Sempra, \$1.5 billion by SDG&E and \$1.2 billion by SoCalGas. The credit facilities replace Sempra's \$3.19 billion credit facility and \$1.25 billion credit facility, SDG&E's \$1.5 billion credit facility and SoCalGas' \$750 million credit facility, which were set to expire in 2024. The principal terms of these primary committed lines of credit include the following:

- Each facility has a syndicate of 23 lenders. No single lender has greater than a 6% share in any facility.
- Sempra's, SDG&E's and SoCalGas' facilities provide for the issuance of \$200 million, \$100 million and \$150 million, respectively, of letters of credit. Subject to obtaining commitments from existing or new lenders and satisfaction of other specified conditions, Sempra, SDG&E and SoCalGas each has the right to increase its letter of credit commitment to up to \$500 million, \$250 million and \$250 million, respectively.
- Borrowings bear interest at a benchmark rate plus a margin that varies with the borrower's credit rating.
- Each borrower 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 September 30, 2022, 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 facility) of no more than 5.25 to 1.00 as of the end of each quarter. At September 30, 2022, SI Partners was in compliance with this ratio.

### Uncommitted Lines of Credit

In addition to our committed lines of credit, Sempra Infrastructure's foreign operations in Mexico have uncommitted lines of credit with an aggregate capacity of \$320 million at September 30, 2022, which are generally used for working capital requirements. We reflect amounts outstanding under these uncommitted lines of credit before reductions of any unamortized discounts.

**FOREIGN UNCOMMITTED LINES OF CREDIT**
*(Dollars and U.S. dollar equivalent in millions)*

Borrower	Expiration date of facility	Borrowing denomination	September 30, 2022		
			Total facility	Amounts outstanding	Available unused credit
ECA LNG Phase 1 <sup>(1)</sup>	August 2023	U.S. dollars or Mexican pesos	\$ 200	\$ (17)	\$ 183
IEnova <sup>(2)</sup>	October 2023	U.S. dollars	100	(50)	50
IEnova	October 2023	U.S. dollars or Mexican pesos	20	—	20
Total			\$ 320	\$ (67)	\$ 253

<sup>(1)</sup> In March 2022, the facility was amended to increase the borrowing capacity from \$100 to \$200.

<sup>(2)</sup> Advances are due in full within 180 days of the disbursement date, which may be extended in increments of 180 days provided that no advance may have a maturity date that falls more than three years after the date of disbursement.

**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 September 30, 2022, we had \$623 million in standby letters of credit outstanding under these agreements.

**UNCOMMITTED LETTERS OF CREDIT**
*(Dollars in millions)*

	Expiration date range	September 30, 2022	
		Uncommitted letters of credit outstanding	
SDG&E	January 2023 to May 2023	\$	15
SoCalGas	November 2022 to October 2023		20
Sempra Infrastructure	October 2022 to October 2043		402
Parent and other	November 2022 to November 2023		186
Total		\$	623

**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 bears interest at benchmark rates plus 70 bps and is due in full upon maturity. SoCalGas used the proceeds for payment of a portion of the costs relating to litigation pertaining to the Leak.

**Weighted-Average Interest Rates**

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

**WEIGHTED-AVERAGE INTEREST RATES**

	September 30, 2022	December 31, 2021
Sempra	3.69 %	0.60 %
SDG&E	—	0.65
SoCalGas	3.53	0.21

**LONG-TERM DEBT**
**Sempra**

In March 2022, we issued \$750 million aggregate principal amount of 3.30% senior unsecured notes due in full upon maturity on April 1, 2025 and received proceeds of \$745 million (net of debt discount, underwriting discounts and debt issuance costs of \$5 million), and \$500 million of 3.70% senior unsecured notes due in full upon maturity on April 1, 2029 and received proceeds of \$494 million (net of debt discount, underwriting discounts and debt issuance costs of \$6 million). Each series of the notes is redeemable prior to maturity, subject to their terms, and in certain circumstances subject to make-whole provisions. We used the net proceeds for general corporate purposes and repayment of commercial paper.

### ***SDG&E***

In February 2022, SDG&E entered into a \$400 million, two-year term loan with a maturity date of February 18, 2024. SDG&E borrowed \$200 million in the three months ended March 31, 2022 and an additional \$200 million in the three months ended June 30, 2022. The borrowings bear interest at benchmark rates plus 62.5 bps and are due in full upon maturity. The margin is based on SDG&E's long-term senior unsecured credit rating. SDG&E used the net proceeds for repayment of commercial paper and for general corporate purposes.

In March 2022, SDG&E issued \$500 million aggregate principal amount of 3.00% first mortgage bonds due in full upon maturity on March 15, 2032 and received proceeds of \$494 million (net of debt discount, underwriting discounts and debt issuance costs of \$6 million), and \$500 million aggregate principal amount of 3.70% first mortgage bonds due in full upon maturity on March 15, 2052 and received proceeds of \$492 million (net of debt discount, underwriting discounts and debt issuance costs of \$8 million). Each of 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 repayment of commercial paper and its 364-day term loan and for capital expenditures and other general corporate purposes.

### ***SoCalGas***

In March 2022, SoCalGas issued \$700 million aggregate principal amount of 2.95% senior unsecured notes due in full upon maturity on April 15, 2027 and received proceeds of \$691 million (net of debt discount, underwriting discounts and debt issuance costs of \$9 million). The notes are redeemable prior to maturity, subject to their terms, and in certain circumstances subject to make-whole provisions. SoCalGas used the net proceeds for repayment of commercial paper and general corporate purposes.

### ***Sempra Infrastructure***

#### ***SI Partners***

In January 2022, SI Partners completed a private offering of \$400 million in aggregate principal of 3.25% senior notes due in full upon maturity on January 15, 2032 to "qualified institutional buyers" as defined in Rule 144A under the Securities Act of 1933, as amended (the Securities Act), and non-U.S. persons outside the U.S. under Regulation S under the Securities Act. The notes are senior unsecured obligations that rank equally with all of SI Partners' existing and future outstanding unsecured senior indebtedness and are redeemable prior to maturity, subject to their terms, and in certain circumstances subject to make-whole provisions. Sempra Infrastructure received proceeds of \$390 million (net of debt discount, underwriting discounts and debt issuance costs of \$10 million). Sempra Infrastructure used the net proceeds for general corporate purposes, including the repayment of certain indebtedness of its subsidiaries.

#### ***ECA LNG Phase 1***

In December 2020, ECA LNG Phase 1 entered into a five-year loan agreement with a syndicate of nine external lenders for an aggregate principal amount of up to \$1.5 billion. Sempra, IEnova and TotalEnergies SE provided guarantees for repayment of the loans plus accrued and unpaid interest based on their proportionate ownership interest in ECA LNG Phase 1 of 41.7%, 41.7% and 16.6%, respectively. In July 2022, ECA LNG Phase 1 replaced Sempra with IEnova as the guarantor and replaced two of the nine external lenders and their combined principal commitment of \$203 million (of which \$64 million was outstanding and repaid) with a shareholder loan from IEnova, thereby reducing the syndicate to seven external lenders and reducing the aggregate principal amount of borrowing capacity from external lenders to \$1.3 billion. At September 30, 2022 and December 31, 2021, \$455 million and \$341 million, respectively, of borrowings from external lenders were outstanding under the loan agreement, with a weighted-average interest rate of 6.54% and 2.93%, respectively.

#### ***IEnova Pipelines***

In September 2022, Sempra Infrastructure used proceeds from borrowings against IEnova's committed and uncommitted lines of credit to fully repay \$141 million of outstanding principal plus accrued and unpaid interest on the IEnova Pipelines variable-rate loans prior to scheduled maturity dates through 2026, and recognized approximately \$2 million (\$1 million after tax and NCI) in charges associated with the write-off of acquisition-related fair value adjustments offset by a hedge termination benefit.

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## **NOTE 8. 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 hedge termination costs on 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 that the future cash flows of a given revenue or expense item may vary, 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 that have been filed with and approved by the CPUC. 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 their assets which support the following businesses: LNG, natural gas transportation 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 energy derivatives to hedge exposures such as greenhouse gas allowances.

The following table summarizes net energy derivative volumes.

**NET ENERGY DERIVATIVE VOLUMES**
*(Quantities in millions)*

Commodity	Unit of measure	September 30, 2022	December 31, 2021
<b>Sempra:</b>			
Natural gas	MMBtu	222	184
Electricity	MWh	—	1
Congestion revenue rights	MWh	47	45
<b>SDG&amp;E:</b>			
Natural gas	MMBtu	13	7
Electricity	MWh	—	1
Congestion revenue rights	MWh	47	45
<b>SoCalGas:</b>			
Natural gas	MMBtu	196	201

**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.

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

**INTEREST RATE DERIVATIVES**
*(Dollars in millions)*

	September 30, 2022		December 31, 2021	
	Notional debt	Maturities	Notional debt	Maturities
<b>Sempra:</b>				
Cash flow hedges	\$ 297	2022-2034	\$ 462	2022-2034

**FOREIGN CURRENCY DERIVATIVES**

We 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)*

	September 30, 2022		December 31, 2021	
	Notional amount	Maturities	Notional amount	Maturities
<b>Sempra:</b>				
Cross-currency swaps	\$ 306	2022-2023	\$ 306	2022-2023
Other foreign currency derivatives	135	2022-2024	106	2022-2023

**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)*

	September 30, 2022			
	Other current assets	Other long-term assets	Other current liabilities	Deferred credits and other
<b>Sempra:</b>				
Derivatives designated as hedging instruments:				
Interest rate instruments	\$ 5	\$ 38	\$ —	\$ —
Foreign exchange instruments	—	1	(2)	—
Interest rate and foreign exchange instruments	—	—	(117)	—
Derivatives not designated as hedging instruments:				
Commodity contracts not subject to rate recovery	200	103	(202)	(102)
Associated offsetting commodity contracts	(190)	(41)	190	41
Commodity contracts subject to rate recovery	31	25	(20)	(8)
Associated offsetting commodity contracts	(3)	(3)	3	3
Net amounts presented on the balance sheet	43	123	(148)	(66)
Additional cash collateral for commodity contracts not subject to rate recovery	80	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	39	—	—	—
Total <sup>(1)</sup>	\$ 162	\$ 123	\$ (148)	\$ (66)
<b>SDG&amp;E:</b>				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 30	\$ 25	\$ (3)	\$ (7)
Associated offsetting commodity contracts	(3)	(3)	3	3
Net amounts presented on the balance sheet	27	22	—	(4)
Additional cash collateral for commodity contracts subject to rate recovery	37	—	—	—
Total <sup>(1)</sup>	\$ 64	\$ 22	\$ —	\$ (4)
<b>SoCalGas:</b>				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 1	\$ —	\$ (17)	\$ (1)
Net amounts presented on the balance sheet	1	—	(17)	(1)
Additional cash collateral for commodity contracts subject to rate recovery	2	—	—	—
Total	\$ 3	\$ —	\$ (17)	\$ (1)

<sup>(1)</sup> Normal purchase contracts previously measured at fair value are excluded.

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

	December 31, 2021			
	Other current assets	Other long-term assets	Other current liabilities	Deferred credits and other
<b>Sempra:</b>				
Derivatives designated as hedging instruments:				
Interest rate instruments	\$ —	\$ 6	\$ (6)	\$ (2)
Foreign exchange instruments	1	1	(1)	—
Interest rate and foreign exchange instruments	—	—	(1)	(130)
Derivatives not designated as hedging instruments:				
Commodity contracts not subject to rate recovery	136	11	(122)	(10)
Associated offsetting commodity contracts	(93)	(8)	93	8
Commodity contracts subject to rate recovery	38	52	(58)	—
Associated offsetting commodity contracts	(8)	—	8	—
Net amounts presented on the balance sheet	74	62	(87)	(134)
Additional cash collateral for commodity contracts not subject to rate recovery	58	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	46	—	—	—
Total <sup>(1)</sup>	\$ 178	\$ 62	\$ (87)	\$ (134)
<b>SDG&amp;E:</b>				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 34	\$ 52	\$ (20)	\$ —
Associated offsetting commodity contracts	(5)	—	5	—
Net amounts presented on the balance sheet	29	52	(15)	—
Additional cash collateral for commodity contracts subject to rate recovery	28	—	—	—
Total <sup>(1)</sup>	\$ 57	\$ 52	\$ (15)	\$ —
<b>SoCalGas:</b>				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 4	\$ —	\$ (38)	\$ —
Associated offsetting commodity contracts	(3)	—	3	—
Net amounts presented on the balance sheet	1	—	(35)	—
Additional cash collateral for commodity contracts subject to rate recovery	18	—	—	—
Total	\$ 19	\$ —	\$ (35)	\$ —

<sup>(1)</sup> 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.

<b>CASH FLOW HEDGE IMPACTS</b>						
<i>(Dollars in millions)</i>						
	Pretax gain (loss) recognized in OCI				Pretax (loss) gain reclassified from AOCI into earnings	
	Three months ended September 30,				Three months ended September 30,	
	2022	2021	Location		2022	2021
<b>Sempra:</b>						
Interest rate instruments	\$ 4	\$ 7	Interest Expense	\$ (2)	\$ 1	
Interest rate instruments	68	3	Equity Earnings <sup>(1)</sup>	(1)	(19)	
Foreign exchange instruments	2	5	Revenues: Energy-Related Businesses	—	—	
Foreign exchange instruments	1	3	Equity Earnings <sup>(1)</sup>	—	—	
Interest rate and foreign exchange instruments	—	(3)	Other (Expense) Income, Net	(3)	(5)	
<b>Total</b>	<b>\$ 75</b>	<b>\$ 15</b>		<b>\$ (6)</b>	<b>\$ (23)</b>	
<b>SoCalGas:</b>						
Interest rate instruments	\$ —	\$ —	Interest Expense	\$ (1)	\$ —	
Interest rate instruments	212	54	Equity Earnings <sup>(1)</sup>	(28)	(57)	
Foreign exchange instruments	(1)	7	Revenues: Energy-Related Businesses	2	(1)	
Foreign exchange instruments	(1)	5	Other (Expense) Income, Net	(1)	—	
Interest rate and foreign exchange instruments	13	(2)	Equity Earnings <sup>(1)</sup>	1	(1)	
			Interest Expense	1	—	
			Other (Expense) Income, Net	3	(4)	
<b>Total</b>	<b>\$ 262</b>	<b>\$ 91</b>		<b>\$ (23)</b>	<b>\$ (63)</b>	

<sup>(1)</sup> Equity earnings at our foreign equity method investees are recognized after tax.

For Sempra, we expect that net gains before NCI of \$24 million, which are net of income tax expense, that are currently recorded in AOCI (with net gains of \$16 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 September 30, 2022 is approximately 12 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 17 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)

	Location	Pretax (loss) gain on derivatives recognized in earnings			
		Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>Sempra:</b>					
Commodity contracts not subject to rate recovery	Revenues: Energy-Related Businesses	\$ (227)	\$ (154)	\$ (455)	\$ (344)
Commodity contracts subject to rate recovery	Cost of Natural Gas	(11)	(26)	(15)	(24)
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	16	8	10	51
Foreign exchange instruments	Other (Expense) Income, Net	—	2	—	(22)
Total		\$ (222)	\$ (170)	\$ (460)	\$ (339)
<b>SDG&amp;E:</b>					
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	\$ 16	\$ 8	\$ 10	\$ 51
<b>SoCalGas:</b>					
Commodity contracts subject to rate recovery	Cost of Natural Gas	\$ (11)	\$ (26)	\$ (15)	\$ (24)

## 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 September 30, 2022 and December 31, 2021 was \$22 million and \$88 million, respectively. For SoCalGas, the total fair value of this group of derivative instruments in a liability position at September 30, 2022 and December 31, 2021 was \$18 million and \$36 million, respectively. SDG&E did not have this group of derivative instruments in a liability position at September 30, 2022 or December 31, 2021. At September 30, 2022, if the credit ratings of Sempra or SoCalGas were reduced below investment grade, \$22 million and \$18 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 9. 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 September 30, 2022 and December 31, 2021. 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, 2021.

The fair value of commodity derivative assets and liabilities is presented in accordance with our netting policy, as we discuss in Note 8 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 derivatives 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 6, 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)*

	Fair value at September 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	\$ 16	\$ 1	\$ —	\$ 17
Equity securities	265	4	—	269
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	21	13	—	34
Municipal bonds	—	273	—	273
Other securities	—	226	—	226
Total debt securities	21	512	—	533
Total nuclear decommissioning trusts <sup>(1)</sup>	302	517	—	819
Short-term investments held in Rabbi Trust	51	—	—	51
Interest rate instruments	—	43	—	43
Foreign exchange instruments	—	1	—	1
Commodity contracts not subject to rate recovery	—	72	—	72
Effect of netting and allocation of collateral <sup>(2)</sup>	80	—	—	80
Commodity contracts subject to rate recovery	16	1	33	50
Effect of netting and allocation of collateral <sup>(2)</sup>	33	—	6	39
Support Agreement, net of related guarantee fees	—	—	16	16
<b>Total</b>	<b>\$ 482</b>	<b>\$ 634</b>	<b>\$ 55</b>	<b>\$ 1,171</b>
<b>Liabilities:</b>				
Foreign exchange instruments	\$ —	\$ 2	\$ —	\$ 2
Interest rate and foreign exchange instruments	—	117	—	117
Commodity contracts not subject to rate recovery	—	73	—	73
Commodity contracts subject to rate recovery	4	18	—	22
<b>Total</b>	<b>\$ 4</b>	<b>\$ 210</b>	<b>\$ —</b>	<b>\$ 214</b>

<sup>(1)</sup> Excludes receivables (payables), net.

<sup>(2)</sup> 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 – SEMPRO (CONTINUED)**
*(Dollars in millions)*

	Fair value at December 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	\$ 13	\$ (10)	\$ —	\$ 3
Equity securities	358	6	—	364
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	48	8	—	56
Municipal bonds	—	321	—	321
Other securities	—	260	—	260
Total debt securities	48	589	—	637
Total nuclear decommissioning trusts <sup>(1)</sup>	419	585	—	1,004
Short-term investments held in Rabbi Trust	81	—	—	81
Interest rate instruments	—	6	—	6
Foreign exchange instruments	—	2	—	2
Commodity contracts not subject to rate recovery	—	46	—	46
Effect of netting and allocation of collateral <sup>(2)</sup>	58	—	—	58
Commodity contracts subject to rate recovery	12	1	69	82
Effect of netting and allocation of collateral <sup>(2)</sup>	31	9	6	46
Support Agreement, net of related guarantee fees	—	—	7	7
<b>Total</b>	<b>\$ 601</b>	<b>\$ 649</b>	<b>\$ 82</b>	<b>\$ 1,332</b>
<b>Liabilities:</b>				
Interest rate instruments	\$ —	\$ 8	\$ —	\$ 8
Foreign exchange instruments	—	1	—	1
Interest rate and foreign exchange instruments	—	131	—	131
Commodity contracts not subject to rate recovery	—	31	—	31
Commodity contracts subject to rate recovery	—	35	15	50
<b>Total</b>	<b>\$ —</b>	<b>\$ 206</b>	<b>\$ 15</b>	<b>\$ 221</b>

<sup>(1)</sup> Excludes receivables (payables), net.

<sup>(2)</sup> 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)*

	Fair value at September 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	\$ 16	\$ 1	\$ —	\$ 17
Equity securities	265	4	—	269
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	21	13	—	34
Municipal bonds	—	273	—	273
Other securities	—	226	—	226
Total debt securities	21	512	—	533
Total nuclear decommissioning trusts <sup>(1)</sup>	302	517	—	819
Commodity contracts subject to rate recovery	16	—	33	49
Effect of netting and allocation of collateral <sup>(2)</sup>	31	—	6	37
<b>Total</b>	<b>\$ 349</b>	<b>\$ 517</b>	<b>\$ 39</b>	<b>\$ 905</b>
<b>Liabilities:</b>				
Commodity contracts subject to rate recovery	\$ 4	\$ —	\$ —	\$ 4
<b>Total</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4</b>

	Fair value at December 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	\$ 13	\$ (10)	\$ —	\$ 3
Equity securities	358	6	—	364
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	48	8	—	56
Municipal bonds	—	321	—	321
Other securities	—	260	—	260
Total debt securities	48	589	—	637
Total nuclear decommissioning trusts <sup>(1)</sup>	419	585	—	1,004
Commodity contracts subject to rate recovery	12	—	69	81
Effect of netting and allocation of collateral <sup>(2)</sup>	22	—	6	28
<b>Total</b>	<b>\$ 453</b>	<b>\$ 585</b>	<b>\$ 75</b>	<b>\$ 1,113</b>
<b>Liabilities:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ —	\$ 15	\$ 15
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 15</b>	<b>\$ 15</b>

<sup>(1)</sup> Excludes receivables (payables), net.

<sup>(2)</sup> 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)*

	Fair value at September 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ 1	\$ —	\$ 1
Effect of netting and allocation of collateral <sup>(1)</sup>	2	—	—	2
<b>Total</b>	<b>\$ 2</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 3</b>
<b>Liabilities:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ 18	\$ —	\$ 18
<b>Total</b>	<b>\$ —</b>	<b>\$ 18</b>	<b>\$ —</b>	<b>\$ 18</b>

	Fair value at December 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ 1	\$ —	\$ 1
Effect of netting and allocation of collateral <sup>(1)</sup>	9	9	—	18
<b>Total</b>	<b>\$ 9</b>	<b>\$ 10</b>	<b>\$ —</b>	<b>\$ 19</b>
<b>Liabilities:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ 35	\$ —	\$ 35
<b>Total</b>	<b>\$ —</b>	<b>\$ 35</b>	<b>\$ —</b>	<b>\$ 35</b>

<sup>(1)</sup> 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<sup>(1)</sup>**
*(Dollars in millions)*

	Three months ended September 30,	
	2022	2021
Balance at July 1	\$ 33	\$ 80
Realized and unrealized losses	(35)	(35)
Allocated transmission instruments	2	1
Settlements	33	26
<b>Balance at September 30</b>	<b>\$ 33</b>	<b>\$ 72</b>
Change in unrealized gains relating to instruments still held at September 30	\$ 3	\$ 9

	Nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 54	\$ 69
Realized and unrealized losses	(58)	(29)
Allocated transmission instruments	(4)	(1)
Settlements	41	33
<b>Balance at September 30</b>	<b>\$ 33</b>	<b>\$ 72</b>
Change in unrealized (losses) gains relating to instruments still held at September 30	\$ (15)	\$ 5

<sup>(1)</sup> 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. SDG&E expects all costs related to these instruments to be recoverable through customer rates. As such, there is no impact to earnings from changes in the fair value of these instruments.

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	
2022	\$	(3.67)	to	\$	6.96	\$ (0.70)
2021		(1.81)	to		14.11	(0.12)

The impact associated with discounting is negligible. 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 8.

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 September 30 were as follows:

#### LONG-TERM, FIXED-PRICE ELECTRICITY POSITIONS PRICE INPUTS

Settlement year	Price per MWh				Weighted-average price per MWh	
2022	\$	26.75	to	\$	127.20	\$ 68.50
2021		24.05	to		130.40	57.36

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 8.

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.

<b>LEVEL 3 RECONCILIATIONS</b>			
<i>(Dollars in millions)</i>			
	Three months ended September 30,		
	2022	2021	
Balance at July 1	\$	16	\$ 4
Realized and unrealized gains <sup>(1)</sup>		2	3
Settlements		(2)	(2)
Balance at September 30 <sup>(2)</sup>	\$	16	\$ 5
Change in unrealized gains relating to instruments still held at September 30	\$	2	\$ 3
	Nine months ended September 30,		
	2022	2021	
Balance at January 1	\$	7	\$ 3
Realized and unrealized gains <sup>(1)</sup>		16	8
Settlements		(7)	(6)
Balance at September 30 <sup>(2)</sup>	\$	16	\$ 5
Change in unrealized gains relating to instruments still held at September 30	\$	15	\$ 7

<sup>(1)</sup> Net gains are included in Interest Income and net losses are included in Interest Expense on Sempra's Condensed Consolidated Statements of Operations.

<sup>(2)</sup> Includes \$7 in Other Current Assets and \$9 in Other Long-term Assets at September 30, 2022 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			Total
		Level 1	Level 2	Level 3	
September 30, 2022					
<b>Sempra:</b>					
Long-term note receivable <sup>(1)</sup>	\$ 314	\$ —	\$ —	\$ 279	\$ 279
Long-term amounts due to unconsolidated affiliates	296	—	251	—	251
Total long-term debt <sup>(2)</sup>	23,790	—	20,288	—	20,288
<b>SDG&amp;E:</b>					
Total long-term debt <sup>(3)</sup>	\$ 7,800	\$ —	\$ 6,577	\$ —	\$ 6,577
<b>SoCalGas:</b>					
Total long-term debt <sup>(4)</sup>	\$ 5,459	\$ —	\$ 4,789	\$ —	\$ 4,789
December 31, 2021					
<b>Sempra:</b>					
Long-term note receivable <sup>(1)</sup>	\$ 300	\$ —	\$ —	\$ 327	\$ 327
Long-term amounts due from unconsolidated affiliates <sup>(5)</sup>	640	—	642	—	642
Long-term amounts due to unconsolidated affiliates	287	—	295	—	295
Total long-term debt <sup>(2)</sup>	20,099	—	22,126	—	22,126
<b>SDG&amp;E:</b>					
Total long-term debt <sup>(3)</sup>	\$ 6,417	\$ —	\$ 7,236	\$ —	\$ 7,236
<b>SoCalGas:</b>					
Total long-term debt <sup>(4)</sup>	\$ 4,759	\$ —	\$ 5,367	\$ —	\$ 5,367

<sup>(1)</sup> Before allowances for credit losses of \$7 and \$8 at September 30, 2022 and December 31, 2021, respectively. Excludes unamortized transaction costs of \$5 at September 30, 2022 and December 31, 2021.

<sup>(2)</sup> Before reductions of unamortized discount and debt issuance costs of \$287 and \$260 at September 30, 2022 and December 31, 2021, respectively, and excluding finance lease obligations of \$1,332 and \$1,335 at September 30, 2022 and December 31, 2021, respectively.

<sup>(3)</sup> Before reductions of unamortized discount and debt issuance costs of \$72 and \$61 at September 30, 2022 and December 31, 2021, respectively, and excluding finance lease obligations of \$1,260 and \$1,274 at September 30, 2022 and December 31, 2021, respectively.

<sup>(4)</sup> Before reductions of unamortized discount and debt issuance costs of \$41 and \$36 at September 30, 2022 and December 31, 2021, respectively, and excluding finance lease obligations of \$72 and \$61 at September 30, 2022 and December 31, 2021, respectively.

<sup>(5)</sup> Before allowances for credit losses of \$1 at December 31, 2021. Includes \$2 of accrued interest receivable at December 31, 2021 in Due From Unconsolidated Affiliates – Current.

We provide the fair values for the securities held in the NDT related to SONGS in Note 10.

## NOTE 10. 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, as we discuss below. SDG&E is responsible for approximately 20% of the total decommissioning cost.

The Samuel Lawrence Foundation filed a writ petition under the California Coastal Act in LA Superior Court in December 2019 seeking to invalidate the coastal development permit and to obtain injunctive relief to stop decommissioning work. The petition was denied in September 2021. In December 2021, the Samuel Lawrence Foundation filed a notice of appeal. In August 2022, the court dismissed the case based on the Samuel Lawrence Foundation's request for dismissal, which finally resolves the writ petition. Decommissioning work was not interrupted as a result of this writ petition.

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 Semptra 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 2021, SDG&E received authorization from the CPUC to access NDT funds of up to \$78 million for forecasted 2022 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 9.

### NUCLEAR DECOMMISSIONING TRUSTS

(Dollars in millions)

	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
September 30, 2022				
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies <sup>(1)</sup>	\$ 34	\$ 2	\$ (2)	\$ 34
Municipal bonds <sup>(2)</sup>	294	—	(21)	273
Other securities <sup>(3)</sup>	253	1	(28)	226
<b>Total debt securities</b>	<b>581</b>	<b>3</b>	<b>(51)</b>	<b>533</b>
Equity securities	110	172	(13)	269
Short-term investments, primarily cash equivalents	17	—	—	17
Receivables (payables), net	(3)	—	—	(3)
<b>Total</b>	<b>\$ 705</b>	<b>\$ 175</b>	<b>\$ (64)</b>	<b>\$ 816</b>

	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 2021				
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	\$ 56	\$ —	\$ —	\$ 56
Municipal bonds	309	13	(1)	321
Other securities	255	7	(2)	260
<b>Total debt securities</b>	<b>620</b>	<b>20</b>	<b>(3)</b>	<b>637</b>
Equity securities	104	262	(2)	364
Short-term investments, primarily cash equivalents	3	—	—	3
Receivables (payables), net	8	—	—	8
<b>Total</b>	<b>\$ 735</b>	<b>\$ 282</b>	<b>\$ (5)</b>	<b>\$ 1,012</b>

<sup>(1)</sup> Maturity dates are 2023-2053.

<sup>(2)</sup> Maturity dates are 2022-2056.

<sup>(3)</sup> Maturity dates are 2022-2072.

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Proceeds from sales	\$ 133	\$ 187	\$ 530	\$ 729
Gross realized gains	2	9	16	48
Gross realized losses	(3)	(1)	(14)	(4)

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

SDG&E's ARO related to decommissioning costs for SONGS Units 1, 2 and 3 was \$550 million at September 30, 2022 and is based on a cost study prepared in 2020 that is pending CPUC approval, which SDG&E expects to receive in 2023.

## NUCLEAR INSURANCE

The SONGS owners have nuclear property damage insurance of \$130 million, which exceeds the minimum federal requirement of \$50 million. This insurance coverage is provided through NEIL. The NEIL policies have specific exclusions and limitations that can result in reduced coverage. Insured members as a group are subject to retrospective premium assessments to cover losses sustained by NEIL under all issued policies. SDG&E could be assessed up to \$4.1 million of retrospective premiums based on overall member claims.

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## NOTE 11. 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 September 30, 2022, loss contingency accruals for legal matters, including associated legal fees and regulatory matters related to the Leak, that are probable and estimable were \$245 million for Sempra, including \$171 million for SoCalGas. Amounts for Sempra and SoCalGas include \$145 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 – Resolved.** 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 (the Individual Plaintiff Litigation) for a payment of up to \$1.8 billion.

These cases were coordinated before a single court in the LA Superior Court for pretrial management under a Third Amended Consolidated Master Case Complaint for Individual Actions filed in November 2017. The consolidated 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 Individual Plaintiff Litigation). The complaint also asserted violations of Proposition 65, which were resolved in January 2022. The consolidated 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.

The agreement governing the settlement of the Individual Plaintiff Litigation requires each plaintiff who agrees to participate in the settlement to release all such plaintiff's claims against SoCalGas, Sempra and their respective affiliates related to the Leak and the Individual Plaintiff Litigation. As of October 31, 2022, over 99% of the Individual Plaintiffs had agreed to participate and submitted valid releases, and SoCalGas had paid \$1.79 billion under the agreement. As of October 31, 2022, SoCalGas and Sempra had either not received or not accepted as valid releases from approximately 345 Individual Plaintiffs, approximately 86% of whom had not been located or had failed to respond, according to plaintiffs' counsel. The Individual Plaintiffs who do not participate in the settlement (the Remaining Individual Plaintiffs) will be able to continue to pursue their claims.

In September 2021, SoCalGas and Sempra entered into an agreement to settle a class action on behalf of persons and businesses who owned or leased real property within a five-mile radius of the well where the Leak occurred for a total amount of \$40 million. In April 2022, the LA Superior Court gave final approval of the settlement.

In October 2018 and October 2020, complaints on behalf of five property developers (the Developer Plaintiffs) were filed against SoCalGas and Sempra in connection with the Leak. The complaints alleged causes of action for strict liability, negligence per se, negligence, negligent interference, continuing nuisance, permanent nuisance, inverse condemnation and violation of the California

Unfair Competition Law and California Public Utilities Code section 2106, and sought compensatory, statutory and punitive damages, injunctive relief and attorneys' fees. In January 2022 and March 2022, SoCalGas and Sempra settled the claims of four of the Developer Plaintiffs and their claims were dismissed. In August 2022, SoCalGas and Sempra settled the claims of the fifth Developer Plaintiff and its claims were dismissed.

**Litigation – Unresolved.** 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 actions were joined in an Amended Consolidated Shareholder Derivative Complaint filed in the coordinated proceeding in the LA Superior Court, which was dismissed with prejudice in January 2021. The plaintiffs have appealed this dismissal. In the remaining fourth action, the plaintiffs filed an amended complaint in the coordinated proceeding in June 2022.

In addition, the Remaining Individual Plaintiffs referred to above will be able to continue to pursue their claims.

**Regulatory Proceedings – Subject to Agreements 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.

**Regulatory Proceedings – Unresolved.** 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 September 30, 2022, the Aliso Canyon natural gas storage facility had a net book value of \$923 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, 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.

**Cost Estimate, Insurance and Accounting and Other Impacts.** SoCalGas has incurred significant costs related to the Leak, primarily to defend against and settle civil and criminal litigation and regulatory proceedings arising from the Leak; for temporary relocation of community residents; to control the well and stop the Leak; to mitigate the natural gas released; to purchase natural gas to replace what was lost through the Leak; to pay the costs of the government-ordered response to the Leak, including the costs for a root cause analysis; to respond to various government and agency investigations regarding the Leak; and to comply with increased regulation imposed as a result of the Leak. At September 30, 2022, SoCalGas estimates these costs related to the Leak are \$3,485 million (the cost estimate), including \$1,279 million of costs recoverable from insurance of which \$1,269 million of insurance proceeds had been received by SoCalGas through September 30, 2022. Other than insurance for directors' and officers' liability, we have exhausted all of our available insurance for this matter. At September 30, 2022, \$10 million is recorded as Insurance Receivable for Aliso Canyon Costs, \$145 million of the cost estimate is accrued in Reserve for Aliso Canyon Costs and \$4 million of the cost estimate is accrued in Deferred Credits and Other on SoCalGas' and Sempra's Condensed Consolidated Balance Sheets.

SoCalGas recorded total charges of \$122 million (\$101 million after tax) and \$259 million (\$199 million after tax) in the three months and nine months ended September 30, 2022, respectively, and \$1.57 billion (\$1.13 billion after tax) in the three months and nine months ended September 30, 2021 in Aliso Canyon Litigation and Regulatory Matters on the SoCalGas and Sempra Condensed Consolidated Statements of Operations related to the litigation and regulatory proceedings that we describe above. These charges are included in the cost estimate.

Except for the amounts paid or estimated to settle certain legal and regulatory matters as described above, the cost estimate does not include any amounts necessary to resolve the matters that we describe above in “Litigation – Unresolved” and “Regulatory Proceedings – Unresolved,” 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 for damages, restitution, civil or administrative fines or penalties, defense, settlement or other costs or remedies that may be imposed or incurred. Further, we are not able to reasonably estimate the possible loss or a range of possible losses in excess of the amounts accrued. The costs or losses not included in the cost estimate could be significant.

An adverse outcome with respect to (i) any lawsuits by the Remaining Individual Plaintiffs, (ii) the unresolved shareholder derivative actions, (iii) threatened or other potential litigation related to the Leak, (iv) the Leak OII if approval of the negotiated settlement is not subsequently obtained, or (v) the unresolved proceeding pursuant to the SB 380 OII, could have a material adverse effect on SoCalGas’ and Sempra’s results of operations, financial condition, cash flows and/or prospects.

## ***Sempra Infrastructure***

### ***Energía Costa Azul***

We describe below certain land and customer 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 are proposed to be situated or on which portions of the ECA Regas Facility that would be necessary for the operation of the proposed 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 – Unresolved.** 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 reinstate 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, four cases involving two adjacent areas of real property on which part of the ECA Regas Facility is situated, each brought by a single plaintiff or her descendants, remain pending against the facility, as follows:

- The first disputed area is subject to a claim in the federal Agrarian Court that has been ongoing since 2006, 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.
- The second disputed area is a parcel adjacent to the ECA Regas Facility that allegedly overlaps with land on which the ECA Regas Facility is situated, which is subject to a claim in the federal Agrarian Court and two claims in Mexican civil courts. The ECA Regas Facility first bought the property from the federal government in 2003; however, to resolve an ownership controversy, in 2008, the ECA Regas Facility reached a financial settlement with the plaintiff to eliminate an adverse claim to its title. Nevertheless, the plaintiff sued in 2013 for the nullity of both titles. The Agrarian Court ruled in favor of the plaintiff in May 2021, nullifying the first property title. Sempra Infrastructure appealed the ruling in July 2021. In May 2022, Sempra Infrastructure won the appeal and the plaintiff’s claims were dismissed. The ECA Regas Facility continues to hold the second

property title to the land. The two civil court proceedings, which seek to invalidate the contract by which the ECA Regas Facility purchased for the second time the applicable parcel of land on which the ECA Regas Facility is situated on the grounds that the purchase price was allegedly unfair, are progressing at different stages. In the first civil case, initiated in 2013, the court ruled in favor of the ECA Regas Facility, and the final decision was affirmed on a federal appeal. The descendants of the same plaintiff filed the second civil case in 2019, which was dismissed by the court. However, the dismissal has been appealed, which is pending the appellate court's ruling. In April 2022, the ECA Regas Facility entered into a settlement agreement with the plaintiff, whereby the plaintiff has agreed to recognize the ECA Regas Facility as the sole owner of the property and waive any current or future rights over the property, or any other properties related to the ECA Regas Facility. The settlement agreement in the first civil case has been approved by the court and the settlement agreement in the second civil case is pending court approval.

**Environmental and Social Impact Permits – Unresolved.** 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 have appealed this ruling.
- 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 and the claimants have appealed, which is pending the appellate court's ruling.

**Customer Dispute – Resolved.** In May 2020, the two third-party capacity customers at the ECA Regas Facility, Shell Mexico and Gazprom, asserted that a 2019 update of the general terms and conditions for service at the facility, as approved by the CRE, resulted in a breach of contract by Sempra Infrastructure and a force majeure event. In July 2020, Shell Mexico submitted a request for arbitration of the dispute, and Gazprom joined the proceeding, and a hearing was held in October 2021. The International Court of Arbitration issued a final, non-appealable decision in April 2022 in favor of Sempra Infrastructure dismissing all claims and confirming the contracts remain in force. In August 2022, the International Court of Arbitration issued an additional decision dismissing a request by Shell Mexico and Gazprom to consider additional arguments.

Citing the alleged breach, Shell Mexico stopped making payments under its LNG storage and regasification agreement. Due to nonpayment, Sempra Infrastructure drew against Shell Mexico's letters of credit provided as payment security until they were fully exhausted in March 2022. In September 2022, Shell Mexico paid its invoices from March 2022 through August 2022, bringing its account to current, resumed paying invoices as they come due, and renewed its letters of credit. Although Gazprom had previously been making regular monthly payments under its LNG storage and regasification agreement, Sempra Infrastructure drew against and fully exhausted Gazprom's letters of credit in April 2022 due to Gazprom's non-renewal of such letters of credit as required under the agreement. Gazprom did not pay its invoices from March 2022 through July 2022, so funds drawn from the letters of credit were used to fully offset such nonpayment. In September 2022, Gazprom paid its August 2022 invoice, bringing its account to current, and resumed paying invoices as they come due. Subsequent invoices, if not paid by Gazprom, will be offset by funds drawn from the letters of credit.

In addition to the arbitration proceeding, Shell Mexico also filed constitutional claims against the CRE's approval of the general terms and conditions for service at the facility and against the issuance of the liquefaction permit. Shell Mexico's request for an injunction against the general terms and conditions was denied, and the ruling was upheld on appeal. The request for an injunction against the liquefaction permit was denied, and the decision was vacated and remanded on appeal to the First District Court in Administrative Matters, which again denied the injunction. The case on the injunction request was then heard again by the appellate court and was denied, making the decision final.

## *Sonora Pipeline*

**Guaymas-El Oro Segment – Unresolved.** 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, the stoppage of work in the Yaqui territory and damages. In 2016, the judge granted a suspension order that prohibited the construction of such segment through the Bácum community territory. Because the pipeline does not pass through the Bácum community, Sempra Infrastructure did not believe the 2016 suspension order prohibited construction in the remainder of the Yaqui territory. Construction of the Guaymas-El Oro segment was completed, and commercial operations began in May 2017.

Following the start of commercial operations of the Guaymas-El Oro segment, Sempra Infrastructure reported damage to the Guaymas-El Oro segment of the Sonora pipeline 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 of the Sonora pipeline in the Yaqui territory to remain in place until the appeals process is exhausted. In December 2021, the court of appeals referred the matter to Mexico’s Supreme Court. In June 2022, the Supreme Court remanded the case back to the court of appeals for final resolution.

Sempra Infrastructure exercised its rights under the contract, which included seeking force majeure payments for the two-year period such force majeure payments were required to be made, which ended in August 2019.

In July 2019, the CFE filed a request for arbitration generally to nullify certain contract terms that provide for fixed capacity payments in instances of force majeure and made a demand for substantial damages in connection with the force majeure event. In September 2019, the arbitration process ended when Sempra Infrastructure and the CFE reached an agreement to restart natural gas transportation service on the earlier of completion of repair of the damaged pipeline or January 15, 2020, and to modify the tariff structure and extend the term of the contract by 10 years. Subsequently, Sempra Infrastructure and the CFE agreed to extend the service start date multiple times, most recently to November 30, 2022. 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 repaired. If the pipeline is not repaired or the parties do not agree on a new service start date by November 30, 2022, Sempra Infrastructure retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits. 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 restart 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.

At September 30, 2022, Sempra Infrastructure had \$423 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 make such repairs (which have not commenced) or 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.

**Sasabe-Puerto Libertad-Guaymas Segment – Resolved.** In June 2014, Sempra Infrastructure and a landowner agreed to enter into a voluntary right-of-way easement agreement for the construction and operation of a seven-mile section of the 314-mile Sasabe-Puerto Libertad-Guaymas segment of the Sonora natural gas pipeline on the landowner’s property. However, in 2015, the landowner filed a complaint demanding the easement agreement be nullified. In September 2021, a definitive and non-appealable judgment was issued declaring the easement agreement nullified and ordering the removal of the pipeline from the landowner’s property. The execution of the judgment is suspended as a result of an amparo lawsuit filed by the CFE as an interested third party that did not participate in the litigation. Sempra Infrastructure filed a special judicial action asking the civil court to acknowledge the existence of the easement and to determine the consideration the landowner should receive in exchange for the easement. In July 2022, Sempra Infrastructure and the landowner entered into a new easement agreement approved by the court for the seven-mile section on the landowner’s property, thus bringing this case to definitive conclusion.



### *Regulatory and Other Actions by the Mexican Government – Unresolved*

We describe below certain actions by the Mexican government that could have a material impact on the energy sector in Mexico. Sempra Infrastructure and other parties affected by these resolutions, orders, decrees, regulations and proposed amendments to Mexican law have challenged them by filing amparo and other claims, some of which have been granted injunctive relief. The court-ordered injunctions or suspensions provide temporary relief until Mexico's federal district court or Supreme Court ultimately resolves the amparo and other claims. An unfavorable decision on one or more of these amparo or other challenges or the potential for extended disputes 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 our business, results of operations, financial condition, cash flows and/or prospects.

**Offtakers of Legacy Generation Permits.** In October 2020, the CRE approved a resolution to amend the rules for the inclusion of new offtakers of legacy generation and self-supply permits (the Offtaker Resolution), which became effective immediately. The Offtaker Resolution prohibits self-supply permit holders from adding new offtakers that were not included in the original development or expansion plans, making modifications to the amount of energy allocated to the named offtakers, and including load centers that have entered into a supply arrangement under Mexico's Electricity Industry Law. Don Diego Solar, Border Solar and Ventika are holders of self-supply permits, and the two solar facilities are currently affected by the Offtaker Resolution. In January 2022, Don Diego Solar and Border Solar obtained injunctive relief and a favorable resolution from a Mexican federal district court and the CRE appealed that decision. If Sempra Infrastructure is not able to obtain permanent legal protection for these impacted facilities, Sempra Infrastructure expects it will sell Border Solar's capacity and a portion of Don Diego Solar's capacity affected by the Offtaker Resolution into the spot market. Currently, prices in the spot market are higher than the fixed prices in the PPAs that were entered into through self-supply permits, but these markets are subject to significant volatility. At September 30, 2022, Sempra Infrastructure had \$13 million in other intangible assets, net, related to these self-supply permits previously granted by the CRE and impacted by the Offtaker Resolution that could be subject to impairment if Sempra Infrastructure is unable to obtain adequate legal protection.

**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 CENACE 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 of the first instance in the lower courts, which has been appealed. 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.

**Amendments to Mexico's Hydrocarbons Law.** In May 2021, amendments to Mexico's Hydrocarbons Law were published and became effective. The amendments grant SENER and the CRE additional powers to suspend and revoke permits related to the midstream and downstream sectors. Suspension of permits will be determined by SENER or the CRE when a danger to national security, energy security, or to the national economy is foreseen. Likewise, new grounds for the revocation of permits are in place if the permit holder (i) carries out its activity with illegally imported products; (ii) fails, on more than one occasion, to comply with the provisions applicable to quantity, quality and measurement of the products; or (iii) modifies the technical conditions of its infrastructure without authorization. Additionally, in the case of existing permits, authorities will revoke those permits that fail to comply with the minimum storage requirements established by SENER or fail to comply with requirements or violate provisions established by the amended Hydrocarbons Law. All the Sempra Infrastructure entities participating in the Mexico hydrocarbons sector filed lawsuits against the initiative to reform the Hydrocarbons Law. In 2021, district courts issued judgments that the amendments do not affect the interests of the companies at this time and, as a result, dismissed the amparo lawsuits, including the lawsuits filed by the Sempra Infrastructure entities. The Sempra Infrastructure entities have appealed these judgments. The Circuit Courts upheld the dismissal of the amparo lawsuits, except one that is pending resolution.

### *Regulatory and Other Actions by the Mexican Government – Resolved*

**Transmission Rates for Legacy Generation Facilities.** In May 2020, the CRE approved an update to the transmission rates included in legacy renewable and cogeneration energy contracts based on the claim that the legacy transmission rates did not reflect fair and proportional costs for providing the applicable services and, therefore, created inequitable competitive conditions. Three of Sempra Infrastructure’s renewable energy facilities (Don Diego Solar, Border Solar and Ventika) are currently holders of contracts with such legacy rates, and under the terms of these contracts any increases in the transmission rates would be passed through directly to their customers. These renewable energy facilities sought and obtained injunctive relief but were required to guarantee the difference in tariffs. The three facilities obtained favorable resolutions from a lower court and the CRE appealed those decisions, which were definitively affirmed in favor of the Don Diego Solar, Border Solar and Ventika facilities, whereby the injunctions were made permanent, the regulations were declared unconstitutional, and the guarantee was determined to not be required. The resolutions are final.

**Proposed Constitutional Reform in Mexico.** In September 2021, the President of Mexico presented a constitutional reform initiative with the stated goal of preserving energy security and self-sufficiency, and a continuous supply of electricity to the country’s population, as a condition for guaranteeing national security and the human right to a decent life. The CRE and the National Commission of Hydrocarbons would be dissolved, and their functions would be carried out by SENER. CENACE would be reinstated to the CFE, and the CFE would be responsible for generating, conducting, transforming, distributing and supplying electricity, and would be the only entity allowed to commercialize electric energy in Mexico. Electricity generation permits and contracts for the sale of electricity and RECs to the CFE, including permits at all of Sempra Infrastructure’s operational power generation facilities, would be canceled. The public electricity supply service would be provided exclusively by the CFE, which may acquire up to 46% of required energy from the private sector. Only certain private power plants would be permitted to continue generating electricity and compete to offer the CFE the lowest production costs. On April 17, 2022, the Chamber of Deputies in Mexico rejected the proposed constitutional reform.

### *Other Litigation – Unresolved*

#### *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 \$50 million in U.S. dollars at September 30, 2022), plus costs and interest. In October 2020, the High Court of Justice assessed costs and interest to be approximately £21 million (approximately \$23 million in U.S. dollars at September 30, 2022) 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.

In the second quarter of 2021, we reduced our estimate of our obligations to settle pending VAT matters and related legal costs by \$50 million in Equity Earnings on Sempra’s Condensed Consolidated Statement of Operations based on the settlement with Her Majesty’s Revenue and Customs (U.K.’s Revenue and Customs Department) on the First-Tier Tribunal case and revised assumptions on the High Court of Justice case.

#### *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 October 31, 2022, two lawsuits are pending. Additionally, in connection with a December 2015 deadline in the EFH bankruptcy proceeding, approximately 28,000 proofs of claim were filed on behalf of

persons who allege exposure to asbestos under similar circumstances and assert the right to file such lawsuits in the future. None of these claims or lawsuits were discharged in the EFH bankruptcy proceeding. The costs to defend or resolve these lawsuits and the amount of damages that may be imposed or 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.

In September 2022, SDG&E amended its lease agreement for its corporate facility to extend the lease termination date from December 2024 to January 2034. SDG&E recognized the remeasurement of its right-of-use asset and total operating lease liability based on its incremental borrowing rate at the effective date of the modification, which increased these amounts by \$59 million. As a result of this modification, undiscounted lease payments decreased by \$9 million in 2023, increased by \$10 million in each of 2025 and 2026 and increased by \$80 million thereafter.

SDG&E entered into an energy storage tolling agreement that commenced in August 2022 and expires in July 2032. SDG&E recorded an operating lease right-of-use asset and operating lease liability of \$28 million. Undiscounted lease payments are \$1 million in 2022, \$4 million in each of 2023 through 2026 and \$18 million thereafter.

#### *Leases That Have Not Yet Commenced*

SDG&E has entered into two energy storage tolling agreements, of which SDG&E expects one will commence in the fourth quarter of 2022 and one will commence in the second half of 2023. SDG&E expects the future minimum lease payments to be \$1 million in 2022, \$14 million in each of 2023 through 2026 and \$87 million thereafter until expiration from 2032 through 2033.

SoCalGas has entered into a fleet vehicle agreement, under which SoCalGas expects leases will commence in the fourth quarter of 2022 through the fourth quarter of 2023. SoCalGas expects the future minimum lease payments to be \$2 million in each of 2023 through 2026 and \$10 million thereafter until expiration at various dates from 2030 through 2031.

#### *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 liquid fuels 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Sales-type leases:</b>				
Income recognized at lease commencement	\$ —	\$ 16	\$ —	\$ 16
Interest income	2	2	6	2
Total revenues from sales-type leases <sup>(1)</sup>	\$ 2	\$ 18	\$ 6	\$ 18
<b>Operating leases:</b>				
Fixed lease payments	\$ 71	\$ 80	\$ 211	\$ 192
Variable lease payments	3	2	7	3
Total revenues from operating leases <sup>(1)</sup>	\$ 74	\$ 82	\$ 218	\$ 195
Depreciation expense	\$ 14	\$ 13	\$ 41	\$ 35

<sup>(1)</sup> Included in Revenues: Energy-Related Businesses on the Condensed Consolidated Statements of Operations.

## CONTRACTUAL COMMITMENTS

We discuss below significant changes in the first nine months of 2022 to contractual commitments discussed in Notes 1 and 16 of the Notes to Consolidated Financial Statements in the Annual Report.

### 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 2022 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 September 30, 2022, we expect the commitment amount to decrease by \$351 million in 2022 and increase by \$340 million in 2023, \$257 million in 2024, \$241 million in 2025, \$214 million in 2026 and \$501 million thereafter (through contract termination in 2029) compared to December 31, 2021, reflecting changes in estimated forward prices since December 31, 2021 and actual transactions for the first nine months of 2022. These LNG commitment amounts are based on the assumption that all LNG cargoes, less those already confirmed to be diverted, 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 \$45 million for Sempra, \$18 million for SDG&E and \$13 million for SoCalGas at September 30, 2022.

## NOTE 12. 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 Utilities* holds our investment in Oncor Holdings, which owns an 80.25% interest in Oncor, a regulated electric 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. Sempra Infrastructure owns a 70% interest in SI Partners, which held a 100% ownership interest in Sempra LNG Holding, LP and a 99.9% ownership interest in IEnova at September 30, 2022.

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>REVENUES</b>				
SDG&E	\$ 1,569	\$ 1,464	\$ 4,413	\$ 4,119
SoCalGas	1,385	1,106	4,879	3,738
Sempra Infrastructure	697	479	1,810	1,269
All other	1	2	1	4
Adjustments and eliminations	—	—	—	(1)
Intersegment revenues <sup>(1)</sup>	(35)	(38)	(119)	(116)
Total	\$ 3,617	\$ 3,013	\$ 10,984	\$ 9,013
<b>DEPRECIATION AND AMORTIZATION</b>				
SDG&E	\$ 247	\$ 226	\$ 730	\$ 659
SoCalGas	190	180	565	533
Sempra Infrastructure	67	63	199	176
All other	2	2	6	8
Total	\$ 506	\$ 471	\$ 1,500	\$ 1,376
<b>INTEREST INCOME</b>				
SDG&E	\$ 2	\$ —	\$ 3	\$ 1
SoCalGas	3	—	4	—
Sempra Infrastructure	7	18	37	59
All other	6	—	14	1
Intercompany eliminations	—	(2)	—	(11)
Total	\$ 18	\$ 16	\$ 58	\$ 50
<b>INTEREST EXPENSE</b>				
SDG&E	\$ 113	\$ 104	\$ 333	\$ 307
SoCalGas	50	39	135	118
Sempra Infrastructure	39	45	98	131
All other	81	78	232	240
Intercompany eliminations	(1)	(7)	(2)	(20)
Total	\$ 282	\$ 259	\$ 796	\$ 776
<b>INCOME TAX EXPENSE (BENEFIT)</b>				
SDG&E	\$ 35	\$ 90	\$ 141	\$ 168
SoCalGas	(28)	(437)	75	(335)
Sempra Texas Utilities	1	—	1	—
Sempra Infrastructure	58	13	219	164
All other	(45)	(8)	(1)	(42)
Total	\$ 21	\$ (342)	\$ 435	\$ (45)
<b>EQUITY EARNINGS</b>				
Equity earnings, before income tax:				
Sempra Texas Utilities	\$ 1	\$ —	\$ 6	\$ 3
Sempra Infrastructure	133	137	430	404
All other	—	—	—	50
	134	137	436	457
Equity earnings, net of income tax:				
Sempra Texas Utilities	257	207	603	480
Sempra Infrastructure	26	47	79	85
	283	254	682	565
Total	\$ 417	\$ 391	\$ 1,118	\$ 1,022

<sup>(1)</sup> Revenues for reportable segments include intersegment revenues of \$4, \$24, and \$7 for the three months ended September 30, 2022; \$11, \$73, and \$35 for the nine months ended September 30, 2022; \$3, \$24, and \$11 for the three months ended September 30, 2021 and \$7, \$72, and \$37 for the nine months ended September 30, 2021 for SDG&E, SoCalGas, and Sempra Infrastructure, respectively.

**SEGMENT INFORMATION (CONTINUED)**
*(Dollars in millions)*

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>EARNINGS (LOSSES) ATTRIBUTABLE TO COMMON SHARES</b>				
SDG&E	\$ 271	\$ 205	\$ 681	\$ 603
SoCalGas	(82)	(1,126)	339	(625)
Sempra Texas Utilities	256	206	604	479
Sempra Infrastructure	114	164	392	419
All other	(74)	(97)	(360)	(226)
Total	\$ 485	\$ (648)	\$ 1,656	\$ 650
<b>EXPENDITURES FOR PROPERTY, PLANT &amp; EQUIPMENT</b>				
SDG&E			\$ 1,651	\$ 1,560
SoCalGas			1,394	1,417
Sempra Infrastructure			489	622
All other			6	7
Total			\$ 3,540	\$ 3,606
			September 30, 2022	December 31, 2021
<b>ASSETS</b>				
SDG&E			\$ 25,759	\$ 24,058
SoCalGas			21,325	20,324
Sempra Texas Utilities			13,664	13,047
Sempra Infrastructure			14,490	14,408
All other			1,363	1,399
Intersegment receivables			(1,038)	(1,191)
Total			\$ 75,563	\$ 72,045
<b>EQUITY METHOD AND OTHER INVESTMENTS</b>				
Sempra Texas Utilities			\$ 13,664	\$ 13,047
Sempra Infrastructure			1,770	1,425
Total			\$ 15,434	\$ 14,472

**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 through regulated public utilities. In the fourth quarter of 2021, we formed Sempra Infrastructure, which resulted in a change to our reportable segments. Historical segment disclosures have been restated to conform with the current presentation of our four reportable segments, which we discuss in Note 12 of the Notes to Condensed Consolidated Financial Statements in this report and in "Part I – Item 1. Business" in the Annual Report.

## RESULTS OF OPERATIONS

We discuss the following in Results of Operations:

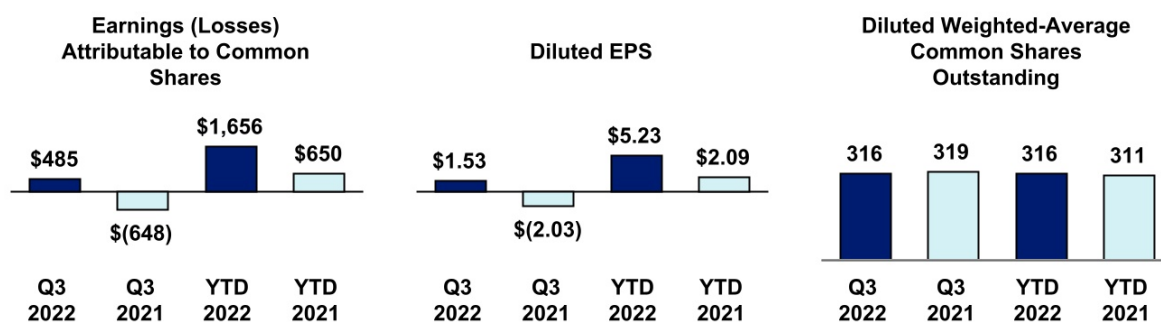
- Overall results of operations of Sempra;
- Segment results;
- Significant changes in revenues, costs and earnings; and
- Impact of foreign currency and inflation rates on results of operations.

## OVERALL RESULTS OF OPERATIONS OF SEMPRA

Sempra's overall results of operations for the three months ended (Q3) and nine months ended (YTD) September 30, 2022 and 2021 were as follows:

### OVERALL RESULTS OF OPERATIONS OF SEMPRA

(Dollars and shares in millions, except per share amounts)



Our earnings (losses) 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 (losses) represents earnings (losses) attributable to common shares. Variance amounts presented are the after-tax earnings (losses) impact (based on applicable statutory tax rates), unless otherwise noted, and before NCI, where applicable.

### SEMPRA EARNINGS (LOSSES) BY SEGMENT

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
SDG&E	\$ 271	\$ 205	\$ 681	\$ 603
SoCalGas	(82)	(1,126)	339	(625)
Sempra Texas Utilities	256	206	604	479
Sempra Infrastructure	114	164	392	419
Parent and other <sup>(1)</sup>	(74)	(97)	(360)	(226)
Earnings (losses) attributable to common shares	\$ 485	\$ (648)	\$ 1,656	\$ 650

<sup>(1)</sup> Includes intercompany eliminations recorded in consolidation and certain corporate costs.



### ***SDG&E***

The increase in earnings of \$66 million (32%) in the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- \$32 million lower income tax expense primarily from flow-through items, net of lower associated regulatory revenues;
- \$18 million higher income tax benefit from the resolution of prior year income tax items; and
- \$18 million higher CPUC base operating margin, net of operating expenses.

The increase in earnings of \$78 million (13%) in the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- \$48 million higher CPUC base operating margin, net of operating expenses;
- \$23 million lower income tax expense primarily from flow-through items, net of lower associated regulatory revenues;
- \$18 million higher income tax benefit from the resolution of prior year income tax items; and
- \$4 million higher electric transmission margin; **offset by**
- \$19 million higher net interest expense.

### ***SoCalGas***

The decrease in losses of \$1,044 million in the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- \$1,031 million decrease in charges relating to litigation and regulatory matters pertaining to the Leak comprised of \$101 million in 2022 compared to \$1,132 million in 2021; and
- \$18 million higher CPUC base operating margin, net of operating expenses; **offset by**
- \$6 million higher net interest expense.

Earnings of \$339 million in the nine months ended September 30, 2022 compared to losses of \$625 million in the same period in 2021 was primarily due to:

- \$933 million decrease in charges relating to litigation and regulatory matters pertaining to the Leak comprised of \$199 million in 2022 compared to \$1,132 million in 2021; and
- \$50 million higher CPUC base operating margin, net of operating expenses; **offset by**
- \$10 million in penalties related to the energy efficiency and advocacy OSCs, which we discuss in Note 4 of the Notes to Condensed Consolidated Financial Statements; and
- \$10 million higher net interest expense.

### ***Sempra Texas Utilities***

The increase in earnings of \$50 million (24%) in the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to higher equity earnings from Oncor Holdings driven by:

- higher revenues from higher customer consumption attributable to weather and customer growth and rate updates to reflect increases in invested capital; and
- higher revenues from an annual energy efficiency program performance bonus approved in the third quarter of 2022 compared to the fourth quarter of 2021; **offset by**
- higher depreciation, property taxes and interest expense attributable to invested capital; and
- higher operation and maintenance expense.

The increase in earnings of \$125 million (26%) in the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to higher equity earnings from Oncor Holdings driven by:

- higher revenues from rate updates to reflect increases in invested capital and higher customer consumption attributable to weather and customer growth; and
- higher revenues from an annual energy efficiency program performance bonus approved in the third quarter of 2022 compared to the fourth quarter of 2021; **offset by**
- higher depreciation, property taxes and interest expense attributable to invested capital; and
- higher operation and maintenance expense.

### ***Sempra Infrastructure***

The decrease in earnings of \$50 million (30%) in the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- \$65 million earnings attributable to NCI in 2022 compared to \$5 million in 2021 primarily due to the sale of a 20% NCI in SI Partners to KKR in October 2021 and the sale of a 10% NCI in SI Partners to ADIA in June 2022, offset by the increase in our ownership interest in IEnova;
- \$27 million unfavorable impact from foreign currency and inflation effects on our monetary positions in Mexico, net of foreign currency derivative effects, comprised of a \$3 million favorable impact in 2022 compared to a \$30 million favorable impact in 2021;
- \$11 million selling profit on a sales-type lease relating to the commencement of a rail facility lease at the Veracruz terminal in the third quarter of 2021;
- \$10 million lower earnings from the refined products terminals due to remeasurement of an operating lease; and
- \$9 million lower net income tax benefit primarily from outside basis differences in JV investments; **offset by**
- \$60 million higher earnings from asset and supply optimization driven by changes in natural gas prices and higher diversion revenues offset by lower volumes;
- \$10 million higher earnings from TdM driven by higher power prices; and
- \$8 million favorable U.S. tax impact in 2022 from converting SI Partners from a corporation to a partnership in October 2021.

The decrease in earnings of \$27 million (6%) in the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- \$187 million earnings attributable to NCI in 2022 compared to \$49 million in 2021 primarily due to the sale of a 20% NCI in SI Partners to KKR in October 2021 and the sale of a 10% NCI in SI Partners to ADIA in June 2022, offset by the increase in our ownership interest in IEnova;
- \$65 million unfavorable impact from foreign currency and inflation effects on our monetary positions in Mexico, net of foreign currency derivative effects, comprised of a \$108 million unfavorable impact in 2022 compared to a \$43 million unfavorable impact in 2021; and
- \$11 million selling profit on a sales-type lease relating to the commencement of a rail facility lease at the Veracruz terminal in the third quarter of 2021; **offset by**
- \$54 million higher earnings from asset and supply optimization driven by changes in natural gas prices and higher diversion revenues offset by lower volumes;
- \$34 million higher net income tax benefit primarily from the remeasurement of certain deferred income taxes and outside basis differences in JV investments;
- \$26 million favorable U.S. tax impact in 2022 from converting SI Partners from a corporation to a partnership in October 2021;
- \$21 million higher earnings from the transportation business driven by higher rates;
- \$16 million higher earnings from the renewables business due to Border Solar and the second phase of ESJ being placed in service in March 2021 and January 2022, respectively;
- \$14 million higher equity earnings from Cameron LNG JV from higher maintenance revenues;
- \$12 million higher earnings from TdM driven by higher power prices offset by lower volumes; and
- \$10 million higher earnings due to the start of commercial operations of the Veracruz and Mexico City terminals in March and July of 2021, respectively, and remeasurement of operating leases.

### ***Parent and Other***

The decrease in losses of \$23 million (24%) in the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- \$12 million income tax expense in 2021 from changes to a valuation allowance against certain tax credit carryforwards;
- \$9 million higher income tax benefit from the interim period application of an annual forecasted consolidated ETR; and
- \$2 million income tax benefit in 2022 compared to \$2 million income tax expense in 2021 for repatriation of foreign earnings; **offset by**
- \$11 million net investment losses in 2022 on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation obligations.

The increase in losses of \$134 million in the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to:

- \$120 million deferred income tax expense associated with the change in our indefinite reinvestment assertion related to our foreign subsidiaries, which we discuss in Note 1 of the Notes to Condensed Consolidated Financial Statements;
- \$48 million net investment losses in 2022 compared to \$17 million net investment gains in 2021 on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation obligations; and
- \$50 million equity earnings in 2021 related to our investment in RBS Sempra Commodities to settle pending VAT matters and related legal costs; **offset by**
- \$30 million income tax benefit in 2022 compared to \$12 million income tax expense in 2021 from changes to a valuation allowance against certain tax credit carryforwards;
- \$22 million higher income tax benefit from the interim period application of an annual forecasted consolidated ETR;
- \$19 million lower preferred dividends due to the mandatory conversion of all series B preferred stock in July 2021;
- \$12 million lower net interest expense; and
- \$3 million income tax benefit in 2022 compared to \$2 million income tax expense in 2021 for repatriation of foreign earnings.

## **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 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. SoCalGas' Gas Cost Incentive Mechanism provides SoCalGas the opportunity 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 the core customers and SoCalGas. We provide further discussion in Note 3 of the Notes to Consolidated Financial Statements in the Annual Report.
- 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, or "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. 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 core natural gas customers using seasonal factors established in a cost allocation proceeding, 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.

<b>UTILITIES REVENUES AND COST OF SALES</b>					
<i>(Dollars in millions)</i>					
	Three months ended September 30,		Nine months ended September 30,		
	2022		2021		2021
<b>Natural gas revenues:</b>					
SoCalGas	\$	1,385	\$	1,106	\$ 3,738
SDG&E		209		157	585
Sempra Infrastructure		19		17	61
Eliminations and adjustments		(26)		(25)	(74)
Total		1,587		1,255	4,310
<b>Electric revenues:</b>					
SDG&E		1,360		1,307	3,534
Eliminations and adjustments		(3)		(2)	(5)
Total		1,357		1,305	3,529
Total utilities revenues	\$	2,944	\$	2,560	\$ 7,839
<b>Cost of natural gas<sup>(1)</sup>:</b>					
SoCalGas	\$	441	\$	240	\$ 736
SDG&E		65		37	159
Sempra Infrastructure		7		13	25
Eliminations and adjustments		(8)		(8)	(28)
Total		505		282	892
<b>Cost of electric fuel and purchased power<sup>(1)</sup>:</b>					
SDG&E		316		324	869
Eliminations and adjustments		(9)		(12)	(41)
Total		307		312	828
Total utilities cost of sales	\$	812	\$	594	\$ 1,720

<sup>(1)</sup> 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.

<b>SEMPRA CALIFORNIA AVERAGE COST OF NATURAL GAS</b>					
<i>(Dollars per thousand cubic feet)</i>					
	Three months ended September 30,		Nine months ended September 30,		
	2022		2021		2021
SoCalGas	\$	9.46	\$	5.01	\$ 3.46
SDG&E		10.20		5.40	4.62

In the three months ended September 30, 2022, our natural gas revenues increased by \$332 million (26%) to \$1.6 billion compared to the same period in 2021 primarily due to:

- \$279 million increase at SoCalGas, which included:
  - \$201 million increase in cost of natural gas sold, which we discuss below,
  - \$34 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M,
  - \$26 million higher CPUC-authorized revenues, and
  - \$17 million higher revenues from incremental and balanced capital projects; and
- \$52 million increase at SDG&E, which included:
  - \$28 million increase in cost of natural gas sold, which we discuss below,
  - \$14 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M, and
  - \$7 million higher revenues from balanced capital projects.

In the three months ended September 30, 2022, our cost of natural gas increased by \$223 million to \$505 million compared to the same period in 2021 primarily due to:

- \$201 million increase at SoCalGas primarily due to higher average natural gas prices; and
- \$28 million increase at SDG&E primarily due to higher average natural gas prices.

In the nine months ended September 30, 2022, our natural gas revenues increased by \$1.3 billion (30%) to \$5.6 billion compared to the same period in 2021 primarily due to:

- \$1.1 billion increase at SoCalGas, which included:
  - \$841 million increase in cost of natural gas sold, which we discuss below,
  - \$116 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M,
  - \$107 million higher CPUC-authorized revenues,
  - \$50 million higher revenues from incremental and balanced capital projects, and
  - \$25 million higher revenues associated with impacts resulting from changes in tax laws tracked in the income tax expense memorandum account; and
- \$156 million increase at SDG&E, which included:
  - \$101 million increase in cost of natural gas sold, which we discuss below,
  - \$26 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M,
  - \$20 million higher revenues from balanced capital projects, and
  - \$7 million higher CPUC-authorized revenues.

In the nine months ended September 30, 2022, our cost of natural gas increased by \$943 million to \$1.8 billion compared to the same period in 2021 primarily due to:

- \$841 million increase at SoCalGas primarily due to higher average natural gas prices; and
- \$101 million increase at SDG&E primarily due to higher average natural gas prices.

### ***Electric Revenues and Cost of Electric Fuel and Purchased Power***

In the three months ended September 30, 2022, our electric revenues, substantially all of which are at SDG&E, increased by \$52 million (4%) to \$1.4 billion compared to the same period in 2021 primarily due to:

- \$30 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M;
- \$24 million higher CPUC-authorized revenues; and
- \$15 million higher revenues associated with SDG&E's wildfire mitigation plan; **offset by**
- \$8 million lower cost of electric fuel and purchased power, which we discuss below; and
- \$8 million lower revenues associated with higher income tax benefits from flow-through items.

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 September 30, 2022, the cost of electric fuel and purchased power decreased by \$5 million (2%) to \$307 million compared to the same period in 2021 primarily due to \$8 million at SDG&E from higher sales to the California ISO due to higher market prices offset by higher purchased power from the California ISO due to higher market prices, net of lower customer demand due to departing load now served by CCAs, and higher utility-owned generation costs.

In the nine months ended September 30, 2022, our electric revenues, substantially all of which are at SDG&E, increased by \$134 million (4%) to \$3.7 billion compared to the same period in 2021 primarily due to:

- \$67 million higher recovery of costs associated with refundable programs, which revenues are offset in O&M;
- \$55 million higher CPUC-authorized revenues;
- \$47 million higher revenues associated with SDG&E's wildfire mitigation plan;
- \$21 million higher revenues from transmission operations; and
- \$6 million higher revenues associated with lower income tax benefits from flow-through items; **offset by**
- \$63 million lower cost of electric fuel and purchased power, which we discuss below.

In the nine months ended September 30, 2022, the cost of electric fuel and purchased power decreased by \$65 million (8%) to \$763 million compared to the same period in 2021 primarily due to \$63 million at SDG&E from higher sales to the California ISO due to higher market prices offset by higher purchased power from the California ISO due to higher market prices, net of lower customer demand due to departing load now served by CCAs, and higher utility-owned generation costs.

### 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				
<i>(Dollars in millions)</i>				
	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Revenues:</b>				
Sempra Infrastructure	\$ 678	\$ 462	\$ 1,743	\$ 1,208
Parent and other <sup>(1)</sup>	(5)	(9)	(33)	(34)
Total revenues	\$ 673	\$ 453	\$ 1,710	\$ 1,174
<b>Cost of sales<sup>(2)</sup>:</b>				
Sempra Infrastructure	\$ 340	\$ 219	\$ 764	\$ 446
Parent and other <sup>(1)</sup>	—	1	—	2
Total cost of sales	\$ 340	\$ 220	\$ 764	\$ 448

<sup>(1)</sup> Includes eliminations of intercompany activity.

<sup>(2)</sup> Excludes depreciation and amortization, which are presented separately on Sempra's Condensed Consolidated Statements of Operations.

In the three months ended September 30, 2022, revenues from our energy-related businesses increased by \$220 million (49%) to \$673 million compared to the same period in 2021 primarily due to:

- \$168 million increase in revenues from asset and supply optimization from contracts to sell natural gas and LNG to third parties, including:
  - \$144 million from higher natural gas prices and lower unrealized losses on commodity derivatives offset by lower volumes, and
  - \$24 million from higher diversion fees due to higher natural gas prices;
- \$51 million higher revenues from TdM mainly due to higher power prices;
- \$11 million higher transportation revenues driven by higher rates; and
- \$10 million higher revenues from the renewables business due to higher transmission rates and the second phase of ESJ being placed in service in January 2022; **offset by**
- \$25 million lower revenues due to a \$16 million selling profit on a sales-type lease relating to the commencement of a rail facility lease at the Veracruz terminal in the third quarter of 2021 and a remeasurement of an operating lease.

In the three months ended September 30, 2022, the cost of sales for our energy-related businesses increased by \$120 million to \$340 million compared to the same period in 2021 primarily due to higher natural gas prices related to asset and supply optimization and higher prices at TdM.

In the nine months ended September 30, 2022, revenues from our energy-related businesses increased by \$536 million (46%) to \$1.7 billion compared to the same period in 2021 primarily due to:

- \$365 million increase in revenues from asset and supply optimization from contracts to sell natural gas and LNG to third parties, including:
  - \$301 million from higher natural gas prices and lower unrealized losses on commodity derivatives offset by lower volumes, and
  - \$64 million from higher diversion fees due to higher natural gas prices;
- \$65 million higher revenues from TdM mainly due to higher power prices offset by lower volumes from scheduled major maintenance completed in March 2022, which resulted in increased plant reliability;
- \$46 million higher revenues from the renewables business due to Border Solar and the second phase of ESJ being placed in service in March 2021 and January 2022, respectively, the acquisition of ESJ in March 2021 and higher transmission rates;
- \$46 million higher transportation revenues driven by higher rates; and
- \$3 million higher revenues from the Veracruz and Mexico City terminals placed in service in March and July of 2021, respectively, offset by a \$16 million selling profit on a sales-type lease relating to the commencement of a rail facility lease at the Veracruz terminal in the third quarter of 2021 and a remeasurement of an operating lease.

In the nine months ended September 30, 2022, the cost of sales for our energy-related businesses increased by \$316 million to \$764 million compared to the same period in 2021 primarily due to higher natural gas prices and higher LNG purchases related to asset and supply optimization and higher prices offset by lower volumes from scheduled major maintenance completed in March 2022 at TdM.

### ***Operation and Maintenance***

In the three months ended September 30, 2022, O&M increased by \$133 million (12%) to \$1.2 billion compared to the same period in 2021 primarily due to:

- \$50 million increase at SDG&E due to:
  - \$44 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and
  - \$6 million higher non-refundable operating costs;
- \$44 million increase at SoCalGas due to:
  - \$34 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and
  - \$10 million higher non-refundable operating costs; and
- \$37 million increase at Sempra Infrastructure due to:
  - \$16 million higher development costs and purchased services,
  - \$9 million at the transportation business due to higher pipeline and compressor station maintenance and higher administrative costs, and
  - \$6 million at the refined products terminals due to lower capitalized cost.

In the nine months ended September 30, 2022, O&M increased by \$356 million (11%) to \$3.5 billion compared to the same period in 2021 primarily due to:

- \$172 million increase at SoCalGas due to:
  - \$116 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and
  - \$56 million higher non-refundable operating costs;
- \$104 million increase at SDG&E due to:
  - \$93 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and
  - \$11 million higher non-refundable operating costs; and
- \$89 million increase at Sempra Infrastructure due to:
  - \$22 million due to the start of commercial operations of the Veracruz and Mexico City terminals in March and July of 2021, respectively,
  - \$22 million at the transportation business due to higher pipeline and compressor station maintenance and higher administrative costs,
  - \$21 million higher development costs and purchased services,
  - \$19 million from the renewables business primarily due to construction repairs and maintenance at Ventika, and
  - \$11 million higher operating costs at TdM from higher purchased materials and services due to scheduled major maintenance completed in March 2022, *offset by*
  - \$14 million lower operating cost due to remeasurement of operating leases at the refined products terminals; **offset by**
- \$9 million decrease at Parent and other primarily from lower deferred compensation expense.

### ***Aliso Canyon Litigation and Regulatory Matters***

In the three months and nine months ended September 30, 2022, SoCalGas recorded charges of \$122 million and \$259 million, respectively, relating to litigation and regulatory matters pertaining to the Leak. We describe these charges in Note 11 of the Notes to Condensed Consolidated Financial Statements. In the three months and nine months ended September 30, 2021, SoCalGas recorded a charge of \$1,571 million relating to litigation pertaining to the Leak.

### **Other (Expense) Income, 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 (Expense) Income, 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.

In the three months ended September 30, 2022, other expense, net, decreased by \$15 million (27%) to \$40 million compared to the same period in 2021 primarily due to:

- \$1 million net gains in 2022 from impacts associated with interest rate and foreign exchange instruments and foreign currency transactions compared to \$20 million net losses in 2021, including:
  - \$18 million in foreign currency losses in 2021 on a Mexican peso-denominated loan to IMG, which is offset in Equity Earnings, and
  - \$3 million higher net gains in 2022 on other foreign currency transactional effects;
- \$5 million higher net interest income on regulatory balancing accounts at SDG&E and SoCalGas; and
- \$4 million higher AFUDC equity at SDG&E; **offset by**
- \$13 million investment losses in 2022 on dedicated assets in support of our executive retirement and deferred compensation plans; and
- \$11 million higher non-service component of net periodic benefit cost.

Other expense, net, in the nine months ended September 30, 2022 was \$3 million compared to other income, net, of \$52 million in the same period in 2021 primarily due to:

- \$60 million investment losses in 2022 compared to \$28 million investment gains in 2021 on dedicated assets in support of our executive retirement and deferred compensation plans; and
- \$10 million in penalties at SoCalGas related to the energy efficiency and advocacy OSCs; **offset by**
- \$20 million lower net losses from impacts associated with interest rate and foreign exchange instruments and foreign currency transactions, including:
  - \$3 million gains in 2022 on cross-currency swaps compared to \$26 million losses in 2021 on foreign currency derivatives and cross-currency swaps as a result of fluctuation of the Mexican peso, and
  - \$2 million lower foreign currency losses on a Mexican peso-denominated loan to IMG, which is offset in Equity Earnings, *offset by*
  - \$7 million losses in 2022 compared to \$3 million net gains in 2021 on other foreign currency transactional effects;
- \$7 million lower non-service component of net periodic benefit cost; and
- \$7 million higher net interest income on regulatory balancing accounts at SDG&E and SoCalGas.

### **Interest Expense**

In the three months ended September 30, 2022 interest expense increased by \$23 million (9%) to \$282 million compared to the same period in 2021 primarily due to:

- \$11 million increase at SoCalGas due to higher debt balances primarily due to an issuance in March 2022; and
- \$9 million increase at SDG&E due to higher debt balances due to issuances in March 2022 and August 2021.

In the nine months ended September 30, 2022, interest expense increased by \$20 million (3%) to \$796 million compared to the same period in 2021 primarily due to:

- \$26 million increase at SDG&E due to higher debt balances due to issuances in March 2022 and August 2021;
- \$17 million increase at SoCalGas due to higher debt balances due to an issuance in March 2022; and
- \$10 million increase at Parent and other due to higher debt balances due to issuances in March 2022 and November 2021, offset by the early redemption of debt securities in December 2021; **offset by**
- \$33 million decrease at Sempra Infrastructure primarily due to the early redemption of debt securities in 2021 and higher capitalized interest for ECA LNG Phase 1 offset by a debt issuance in January 2022.



## Income Taxes

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

INCOME TAX EXPENSE (BENEFIT) AND EFFECTIVE INCOME TAX RATES				
(Dollars in millions)				
	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Sempra:</b>				
Income tax expense (benefit)	\$ 21	\$ (342)	\$ 435	\$ (45)
Income (loss) before income taxes and equity earnings	\$ 165	\$ (1,365)	\$ 1,194	\$ (316)
Equity earnings, before income tax <sup>(1)</sup>	134	137	436	457
Pretax income (loss)	\$ 299	\$ (1,228)	\$ 1,630	\$ 141
Effective income tax rate	7 %	28 %	27 %	(32)%
<b>SDG&amp;E:</b>				
Income tax expense	\$ 35	\$ 90	\$ 141	\$ 168
Income before income taxes	\$ 306	\$ 295	\$ 822	\$ 771
Effective income tax rate	11 %	31 %	17 %	22 %
<b>SoCalGas:</b>				
Income tax (benefit) expense	\$ (28)	\$ (437)	\$ 75	\$ (335)
(Loss) income before income taxes	\$ (110)	\$ (1,563)	\$ 415	\$ (959)
Effective income tax rate	25 %	28 %	18 %	35 %

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

### Sempra

Sempra's income tax expense in the three months ended September 30, 2022 compared to an income tax benefit in the same period in 2021 was primarily due to:

- \$21 million income tax benefit in 2022 compared to \$439 million income tax benefit in 2021 associated with charges relating to litigation and regulatory matters pertaining to the Leak; and
- \$4 million income tax benefit in 2022 compared to \$33 million income tax benefit in 2021 from foreign currency and inflation effects on our monetary positions in Mexico and associated derivatives; **offset by**
- \$18 million higher income tax benefit in 2022 from the resolution of prior year income tax items at SDG&E;
- \$12 million income tax expense in 2021 from changes to a valuation allowance against certain tax credit carryforwards;
- \$8 million favorable U.S. tax impact in 2022 from converting SI Partners from a corporation to a partnership in October 2021; and
- higher income tax benefit from flow-through items.

Sempra's income tax expense in the nine months ended September 30, 2022 compared to an income tax benefit in the same period in 2021 was primarily due to:

- \$60 million income tax benefit in 2022 compared to \$439 million income tax benefit in 2021 associated with charges relating to litigation and regulatory matters pertaining to the Leak;
- \$120 million deferred income tax expense associated with the change in our indefinite reinvestment assertion related to our foreign subsidiaries, which we discuss in Note 1 to Condensed Consolidated Financial Statements; and
- \$80 million income tax expense in 2022 compared to \$8 million income tax expense in 2021 from foreign currency and inflation effects on our monetary positions in Mexico and associated derivatives; **offset by**
- \$30 million income tax benefit in 2022 compared to \$12 million income tax expense in 2021 from changes to a valuation allowance against certain tax credit carryforwards;
- \$26 million favorable U.S. tax impact in 2022 from converting SI Partners from a corporation to a partnership in October 2021;
- \$18 million higher net income tax benefit in 2022 from the remeasurement of certain deferred income taxes;
- \$18 million higher income tax benefit in 2022 from the resolution of prior year income tax items at SDG&E; and
- higher income tax benefit from flow-through items.

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 ended September 30, 2022, SDG&E’s income tax expense decreased by \$55 million compared to the same period in 2021 primarily due to higher income tax benefits from flow-through items and \$18 million higher income tax benefit from the resolution of prior year income tax items.

In the nine months ended September 30, 2022, SDG&E’s income tax expense decreased by \$27 million (16%) compared to the same period in 2021 primarily due to:

- higher income tax benefits from flow-through items; and
- \$18 million higher income tax benefit from the resolution of prior year income tax items; **offset by**
- higher income tax expense from higher pretax income.

### *SoCalGas*

In the three months ended September 30, 2022, SoCalGas’ income tax benefit decreased by \$409 million compared to the same period in 2021 primarily due to a \$21 million income tax benefit in 2022 compared to a \$439 million income tax benefit in 2021 associated with charges relating to litigation and regulatory matters pertaining to the Leak.

SoCalGas’ income tax expense in the nine months ended September 30, 2022, compared to an income tax benefit in the same period in 2021 was primarily due to a \$60 million income tax benefit in 2022 compared to a \$439 million income tax benefit in 2021 associated with charges relating to litigation and regulatory matters pertaining to the Leak.

### *Equity Earnings*

In the three months ended September 30, 2022, equity earnings increased by \$26 million (7%) to \$417 million compared to the same period in 2021 primarily due to:

- \$50 million higher equity earnings at Oncor Holdings due to higher revenues from higher customer consumption attributable to weather and customer growth, rate updates to reflect increases in invested capital, and from an annual energy efficiency program performance bonus approved in the third quarter of 2022 compared to the fourth quarter of 2021, offset by higher depreciation, property taxes and interest expense attributable to invested capital and higher operation and maintenance expense; **offset by**
- \$21 million lower equity earnings at IMG due to foreign currency effects, including \$18 million foreign currency gains in 2021 on IMG’s Mexican peso-denominated loans from its JV owners, which is fully offset in Other (Expense) Income, Net, and higher income tax expense, offset by lower interest expense.

In the nine months ended September 30, 2022, equity earnings increased by \$96 million (9%) to \$1.1 billion compared to the same period in 2021 primarily due to:

- \$123 million higher equity earnings at Oncor Holdings due to higher revenues from rate updates to reflect increases in invested capital, higher customer consumption attributable to weather and customer growth and from an annual energy efficiency program performance bonus approved in the third quarter of 2022 compared to the fourth quarter of 2021, offset by higher depreciation, property taxes and interest expense attributable to invested capital and higher operation and maintenance expense; and
- \$26 million higher equity earnings at Cameron LNG JV due to higher maintenance revenues; **offset by**
- \$50 million equity earnings in 2021 related to our investment in RBS Sempra Commodities to settle pending VAT matters and related legal costs; and
- \$7 million lower equity earnings at IMG due to higher income tax expense and foreign currency effects, including \$2 million lower foreign currency gains on IMG’s Mexican peso-denominated loans from its JV owners, which is fully offset in Other (Expense) Income, Net, offset by lower interest expense.

### *Earnings Attributable to Noncontrolling Interests*

In the three months ended September 30, 2022, earnings attributable to NCI increased by \$60 million to \$65 million compared to the same period in 2021 due to:

- \$77 million increase as a result of a decrease in our ownership interest in SI Partners offset by an increase in our ownership interest in IEnova; **offset by**

- \$17 million decrease due to a decrease in SI Partners subsidiaries net income.

In the nine months ended September 30, 2022, earnings attributable to NCI increased by \$139 million to \$187 million compared to the same period in 2021 primarily due to:

- \$134 million increase as a result of a decrease in our ownership interest in SI Partners offset by an increase in our ownership interest in IEnova; and
- \$4 million increase due to an increase in SI Partners subsidiaries net income.

### Preferred Dividends

In the nine months ended September 30, 2022, preferred dividends decreased by \$19 million to \$33 million compared to the same period in 2021 due to the conversion of all series B preferred stock in July 2021.

## 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 nine months ended September 30, 2022, the change in our earnings as a result of foreign currency translation rates was negligible compared to the same period in 2021.

### Transactional Impacts

Income statement activities at our Mexico 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 AND ASSOCIATED DERIVATIVES

(Dollars in millions)

	Total reported amounts		Transactional gains (losses) included in reported amounts	
	Three months ended September 30,			
	2022	2021	2022	2021
Other (expense) income, net	\$ (40)	\$ (55)	\$ 1	\$ (20)
Income tax (expense) benefit	(21)	342	4	33
Equity earnings	417	391	(2)	16
Net income (loss)	561	(632)	3	29
Earnings attributable to noncontrolling interests	(65)	(5)	(1)	(1)
Earnings (losses) attributable to common shares	485	(648)	2	28

	Nine months ended September 30,			
	2022	2021	2022	2021
	Other (expense) income, net	\$ (3)	\$ 52	\$ (16)
Income tax (expense) benefit	(435)	45	(80)	(8)
Equity earnings	1,118	1,022	(14)	—
Net income (loss)	1,877	751	(110)	(44)
Earnings attributable to noncontrolling interests	(187)	(48)	21	3
Earnings (losses) attributable to common shares	1,656	650	(89)	(41)

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## CAPITAL RESOURCES AND LIQUIDITY

### OVERVIEW

#### *Sempra*

##### *Impact of the COVID-19 Pandemic*

Our businesses that invest in, develop and operate energy infrastructure and provide electric and gas services to customers have been identified as critical or essential services in the U.S. and Mexico and have continued to operate throughout the COVID-19 pandemic. As our businesses continue to operate, our priority is the safety of our employees, customers, partners and the communities we serve. We and other companies, including our partners, are taking steps to try to protect the health and well-being of our employees and other stakeholders. We continue to work closely with local, state and federal authorities in an effort to provide essential services with minimum interruption to customers and in accordance with applicable orders.

For a further discussion of risks and uncertainties related to the COVID-19 pandemic, see “Part I – Item 1A. Risk Factors” in the Annual Report.

##### *Inflation Reduction Act*

The IRA was signed into law on August 16, 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 will continue to assess the impacts of the IRA as the U.S. Department of the Treasury and the U.S. Internal Revenue Service issue guidance. We do not 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.

##### *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 including issuing debt securities and obtaining term loans, 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
- meet liquidity requirements
- fund capital contribution requirements
- fund expenditures related to the Leak
- repurchase shares of our common stock
- 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 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 changing economic conditions or disruptions to or volatility in the money markets and capital markets worsen. These sources of funding also 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 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. As of October 31, 2022, SoCalGas had paid \$1.79 billion related to the settlement of the Individual Plaintiff Litigation, which we describe in Note 11 of the Notes to Condensed Consolidated Financial Statements. If cash flows from operations were to be significantly reduced or we were unable to borrow under acceptable terms, we would likely first reduce or postpone discretionary

capital expenditures (not related to safety) 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.

### Available Funds

Our committed lines of credit provide liquidity and support commercial paper. At September 30, 2022, Sempra, SDG&E and SoCalGas each had five-year credit agreements set to expire in 2024, SI Partners has a three-year credit agreement expiring in 2024 and IEnova has committed lines of credit that expire in 2023 and 2024. In addition, IEnova and ECA LNG Phase 1 have uncommitted revolving credit facilities that expire in 2023.

#### AVAILABLE FUNDS AT SEPTEMBER 30, 2022

(Dollars in millions)

	Sempra		SDG&E		SoCalGas	
Unrestricted cash and cash equivalents <sup>(1)</sup>	\$	685	\$	219	\$	53
Available unused credit <sup>(2)</sup>		8,905		1,500		323

<sup>(1)</sup> Amounts at Sempra include \$102 held in non-U.S. jurisdictions. We discuss repatriation in Note 1 of the Notes to Condensed Consolidated Financial Statements in this report and Note 8 of the Notes to Consolidated Financial Statements in the Annual Report.

<sup>(2)</sup> Available unused credit is the total available on committed and uncommitted lines of credit that we discuss in Note 7 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 as a reduction to the available unused credit.

In October 2022, Sempra, SDG&E and SoCalGas each entered into a separate five-year credit facilities, all expiring in October 2027. The credit facilities permit borrowings of up to \$4.0 billion by Sempra, \$1.5 billion by SDG&E and \$1.2 billion by SoCalGas. The credit facilities replace Sempra's \$3.19 billion credit facility and \$1.25 billion credit facility, SDG&E's \$1.5 billion credit facility and SoCalGas' \$750 million credit facility, which were set to expire in 2024.

### 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, such as payments made by SoCalGas relating to litigation and regulatory matters pertaining to the Leak. Commercial paper, lines of credit and term loans were our primary sources of short-term debt funding in the first nine months of 2022.

We discuss our short-term debt activities in Note 7 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 nine months of 2022 included the following:

#### LONG-TERM DEBT ISSUANCES AND PAYMENTS

(Dollars in millions)

Issuances:	Amount at issuance	Maturity
Sempra 3.30% fixed rate notes	\$ 750	2025
Sempra 3.70% fixed rate notes	500	2029
SDG&E variable rate term loan	400	2024
SDG&E 3.00% first mortgage bonds	500	2032
SDG&E 3.70% first mortgage bonds	500	2052
SoCalGas 2.95% fixed rate notes	700	2027
Sempra Infrastructure variable rate notes	178	2025
Sempra Infrastructure 3.25% fixed rate notes	400	2032
Payments:	Payments	Maturity
SDG&E 1.914% amortizing first mortgage bonds	17	2022
Sempra Infrastructure amortizing variable rate notes (5.13% after floating-to-fixed rate swaps)	162	2022-2026
Sempra Infrastructure variable rate notes	64	2025

In September 2022, Sempra Infrastructure used proceeds from borrowings against IEnova’s committed and uncommitted lines of credit to fully repay \$141 million of outstanding principal plus accrued and unpaid interest on the IEnova Pipelines variable-rate loans prior to scheduled maturity dates through 2026, and recognized approximately \$2 million (\$1 million after tax and NCI) in charges associated with the write-off of acquisition-related fair value adjustments offset by a hedge termination benefit.

We discuss our long-term debt activities, including the use of proceeds on long-term debt issuances, in Note 7 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 nine months of 2022.

#### **CREDIT RATINGS AT SEPTEMBER 30, 2022**

	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 negative 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 and/or other burdensome covenants and 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 September 30, 2022.

### *Loans with Affiliates*

At September 30, 2022, Sempra had \$296 million in loans due to unconsolidated affiliates. In July 2022, a \$626 million loan due to Sempra from an unconsolidated affiliate was paid in full, prior to its March 2023 maturity date.

### *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 the California legislature, litigation and the changing energy marketplace, as well as other matters described in this report. SDG&E and SoCalGas expect that the available unused credit 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. Additionally, as we discuss below, Sempra elected to make equity contributions to SoCalGas of \$800 million in September 2021, \$150 million in June 2022 and \$500 million in August 2022. These voluntary equity contributions were intended to assist SoCalGas in maintaining its approved capital structure. 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 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.

### *COVID-19 Pandemic Protections*

SDG&E and SoCalGas are continuing to monitor the impacts of the COVID-19 pandemic on cash flows and results of operations. Some customers have experienced and continue to experience a diminished ability to pay their electric or gas bills, leading to slower payments and higher levels of nonpayment than has been the case historically. These impacts could become significant and could require modifications to our financing plans.

In connection with the COVID-19 pandemic and at the direction of the CPUC, SDG&E and SoCalGas implemented a number of measures to assist customers, including automatically enrolling residential and small business customers with past-due balances in long-term repayment plans.

In 2021, SDG&E and SoCalGas applied, on behalf of their customers, for financial assistance from the California Department of Community Services and Development under the California Arrearage Payment Program, which provided funds of \$63 million and \$79 million for SDG&E and SoCalGas, respectively. In the first quarter of 2022, SDG&E and SoCalGas received 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. SDG&E and SoCalGas have applied for funding from this program on behalf of their residential customers with past due balances and, if approved, may receive up to \$51 million and \$59 million, respectively, of such funding in the first quarter of 2023.

### **SDG&E**

#### *Authorized Cost of Capital, Subject to the CCM*

As we discuss in Note 4 of the Notes to Condensed Consolidated Financial Statements, in December 2019, the CPUC approved the cost of capital for SDG&E and SoCalGas that became effective on January 1, 2020 and will remain in effect through December 31, 2022, subject to the CCM.

For the measurement period that ended September 30, 2021, the CCM would trigger for SDG&E if the CPUC determines that the CCM should be implemented because the average Moody's Baa- utility bond index between October 1, 2020 and September 30, 2021 was 1.17% below SDG&E's CCM benchmark rate of 4.498%. In August 2021, SDG&E filed an application with the CPUC to update its cost of capital due to the ongoing effects of the COVID-19 pandemic rather than have the CCM apply. In December 2021, the CPUC established a proceeding to determine if SDG&E's cost of capital was impacted by an extraordinary event such that the CCM should not apply.

In November 2022, the CPUC approved a proposed decision that found there was an extraordinary event, the CCM will be suspended for 2022 and SDG&E's current authorized cost of capital for 2022 will be preserved.

We further discuss the CCM in "Part I – Item 1A. Risk Factors" in the Annual Report.

#### *Wildfire Fund*

The carrying value of SDG&E's Wildfire Fund asset totals \$339 million at September 30, 2022. We describe the Wildfire Legislation and related accounting treatment 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 there is a reduction of the available coverage due to recoverable claims from any of the participating IOUs. PG&E 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.

#### *Wildfire Cost Recovery Mechanism*

In July 2021, SDG&E filed a request with the CPUC to establish an interim cost recovery mechanism that would recover in rates 50% of its wildfire mitigation plan costs. The proposed recovery would be incremental to wildfire costs currently authorized in its GRC and would be subject to reasonableness review. In May 2022, the CPUC issued a final decision denying SDG&E's request and directing SDG&E to file for the review and recovery of its wildfire mitigation plan costs through its next GRC or a separate application. SDG&E expects to submit separate requests in its GRC for review and recovery of its wildfire mitigation plan costs in mid-2023 for costs incurred from 2019 through 2022 and in mid-2024 for costs incurred in 2023.

#### *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*

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 11 of the Notes to Condensed Consolidated Financial Statements in this report and in "Part I – Item 1A. Risk Factors" in the Annual Report.

#### *Aliso Canyon Natural Gas Storage Facility Gas Leak*

From October 23, 2015 through February 11, 2016, SoCalGas experienced the Leak.

**Cost Estimate, Insurance and Accounting and Other Impacts.** At September 30, 2022, SoCalGas estimates certain costs related to the Leak are \$3,485 million (the cost estimate), including \$1,279 million of costs recoverable from insurance, all of which had been received by SoCalGas as of October 31, 2022. Other than insurance for directors' and officers' liability, we have exhausted all of our available insurance for this matter. At September 30, 2022, \$145 million of the cost estimate is accrued in Reserve for Aliso Canyon Costs and \$4 million of the cost estimate is accrued in Deferred Credits and Other on SoCalGas' and Sempra's Condensed Consolidated Balance Sheets.

Sempra elected to make equity contributions to SoCalGas of \$800 million in September 2021, \$150 million in June 2022 and \$500 million in August 2022. These voluntary equity contributions were intended to assist SoCalGas in maintaining its approved capital structure. As of October 31, 2022, SoCalGas had paid \$1.79 billion related to the settlement of the Individual Plaintiff Litigation. SoCalGas funded the settlement payment using a combination of equity contributions from Sempra, short-term debt and cash on hand.

Except for the amounts paid or estimated to settle certain legal and regulatory matters, the cost estimate does not include any amounts necessary to resolve the matters that we describe in "Litigation – Unresolved" and "Regulatory Proceedings – Unresolved" in Note 11 of the Notes to Condensed Consolidated Financial Statements, 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 for damages, restitution, civil or administrative fines or penalties, defense, settlement or other costs or remedies that may be imposed or incurred. Further, we are not able to reasonably estimate the possible loss or a range of possible losses in excess of the amounts accrued. The costs or losses not included in the cost estimate could be significant.

An adverse outcome with respect to (i) any lawsuits by the Remaining Individual Plaintiffs, (ii) the unresolved shareholder derivative actions, (iii) threatened or other potential litigation related to the Leak, (iv) the Leak OII if approval of the negotiated settlement is not subsequently obtained, or (v) the unresolved proceeding pursuant to the SB 380 OII that we discuss below, 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. As a result of the Leak, the CPUC has issued a series of directives to SoCalGas specifying the range of working gas to be maintained in the Aliso Canyon natural gas storage facility as well as protocols for the withdrawal of gas, to support safe and reliable natural gas service. 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 September 30, 2022, the Aliso Canyon natural gas storage facility had a net book value of \$923 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, 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.

#### *Franchise Agreement*

In December 2021, the Los Angeles City Council awarded SoCalGas a new, 21-year natural gas franchise following an invitation for bids, which was approved and signed by the City of Los Angeles mayor in January 2022. The 21-year term consists of an initial 13-year term from the effective date, followed by an 8-year term that the City of Los Angeles has the option to terminate. Among other conditions, the new franchise agreement was subject to CPUC approval of the rates and surcharges therein for it to become effective, which SoCalGas received in March 2022. Consistent with its terms, the new agreement went into effect on May 1, 2022, until which time SoCalGas continued to serve customers located in the City of Los Angeles in accordance with the agreement that expired on December 31, 2021, by operation of law.

#### *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 or is unable to access sufficient capital 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.

#### *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 and partnering in JVs.

On June 1, 2022, we completed the sale of a 10% NCI in SI Partners to ADIA for cash proceeds of \$1.7 billion. We used a portion of the proceeds from the sale to ADIA to repay commercial paper borrowings used to repurchase \$750 million in shares of our common stock (\$300 million of which was completed in the fourth quarter of 2021, \$200 million of which was completed in the first quarter of 2022 and \$250 million of which was completed in the second quarter of 2022), and we used the remaining proceeds to help fund capital expenditures at Sempra California and Sempra Texas Utilities and to further strengthen our balance sheet.

Following the closing of the ADIA transaction, Sempra, KKR and ADIA directly or indirectly own a 70%, 20%, and 10% interest, respectively, in SI Partners. The sale of NCI in SI Partners to ADIA has reduced our ownership interest in SI Partners and requires us to involve a new minority partner in making certain business decisions. Moreover, the decrease in our ownership of SI Partners also decreases our share of the cash flows, profits and other benefits these businesses currently or may in the future produce.

In the nine months ended September 30, 2022, SI Partners distributed \$146 million to its minority shareholders.

#### *LNG and Net-Zero Solutions*

In 2022 to date, Sempra Infrastructure has entered into the following non-binding HOAs for the negotiation and potential finalization of definitive SPAs with:

- PGNiG for a 20-year term for 2 Mtpa of LNG from the proposed Cameron LNG JV liquefaction expansion project (Cameron LNG JV Phase 2 project) and 1 Mtpa from the proposed PA LNG Phase 1 project.
- INEOS Energy Trading Ltd., a subsidiary of INEOS Ltd., for a 20-year term for approximately 1.4 Mtpa of LNG from the proposed PA LNG Phase 1 project or the proposed Cameron LNG JV Phase 2 project, with amounts to be allocated between the two projects at Sempra Infrastructure's election.

- RWE Supply & Trading GmbH, a subsidiary of RWE AG, for a 15-year term for 2.25 Mtpa of LNG from the proposed PA LNG Phase 1 project.
- ConocoPhillips for a 20-year term for 5 Mtpa of LNG from the proposed PA LNG Phase 1 project. The HOA is further discussed below.

The ultimate participation in and offtake from the proposed projects remain subject to negotiation and finalization of definitive agreements, among other factors, and the HOAs do not commit any party to enter into definitive agreements with respect to any of the applicable proposed projects.

**Cameron LNG JV Liquefaction Expansion 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 by up to approximately 1 Mtpa through debottlenecking activities. The Cameron LNG JV site can accommodate additional trains beyond the proposed Cameron LNG JV 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. In January 2022, Cameron LNG JV filed an amendment, subject to approval by the FERC, to modify the permits to allow the use of electric drives, instead of gas turbine drives, which would reduce overall emissions. The amendment, if approved, would also change the design 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 greenhouse gas emissions.

Sempra Infrastructure and the other Cameron LNG JV partners, 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 an HOA for the potential development of the Cameron LNG JV Phase 2 project. The 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 HOA contemplates the remaining capacity to be allocated equally to the existing Cameron LNG JV Phase 1 customers. Sempra Infrastructure plans to sell the LNG corresponding to its allocated capacity from the proposed Cameron LNG JV Phase 2 project under long-term SPAs prior to making a final investment decision. The HOA is a non-binding arrangement. 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 HOA does not commit any party to enter into definitive agreements with respect to the proposed Cameron LNG JV Phase 2 project.

Sempra Infrastructure, the other Cameron LNG JV partners, 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 JV Phase 2 project development work up to a final investment decision by Cameron LNG JV.

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. At the conclusion of the resulting competitive FEED process, we expect to select one contractor to be the EPC contractor for the proposed Cameron LNG JV Phase 2 project.

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 necessary to prepare for a potential final investment decision.

Expansion of the Cameron LNG JV liquefaction 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 is targeting completing the FEED work in the summer of 2023 and expects to be in a position to make a final investment decision shortly thereafter. The timing of when or if Cameron LNG JV will receive approval from the FERC to amend its permits and 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 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 JV Phase 2 project.

The development of the proposed Cameron LNG JV Phase 2 project is subject to numerous other risks and uncertainties, including securing binding customer commitments; reaching unanimous agreement with our partners to proceed; obtaining and maintaining a number of permits and regulatory approvals, including approval from the FERC for amendments to existing permits; securing certain consents under the existing financing agreements and securing sufficient new financing; negotiating and completing suitable commercial agreements, including a definitive EPC contract and definitive Cameron LNG JV 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 Liquefaction Export Projects.** Sempra Infrastructure is developing two separate natural gas liquefaction export projects at its existing ECA Regas Facility. The liquefaction export projects, which are planned for development in two phases (a mid-scale project by ECA LNG Phase 1 that is under construction and a proposed large-scale project by ECA LNG Phase 2), are being developed to provide buyers with direct access to North American west coast LNG supplies.

In March 2019, ECA LNG received two authorizations from the DOE to export U.S.-produced natural gas to Mexico and to re-export LNG to non-FTA countries from its ECA LNG Phase 1 project, which is a one-train natural gas liquefaction facility with a nameplate capacity of 3.25 Mtpa and initial offtake capacity of approximately 2.5 Mtpa that is under construction, and its proposed ECA LNG Phase 2 project that is under development.

In April 2020, ECA LNG Phase 1 executed definitive 20-year SPAs with Mitsui & Co., Ltd. for approximately 0.8 Mtpa of LNG and with an affiliate of TotalEnergies SE for approximately 1.7 Mtpa of LNG. In December 2020, an affiliate of TotalEnergies SE acquired a 16.6% ownership interest in ECA LNG Phase 1, with Sempra Infrastructure retaining an 83.4% ownership interest. Our MOUs and/or HOAs with Mitsui & Co., Ltd., TotalEnergies SE, and ConocoPhillips, which we describe below, provide a framework for their potential offtake of LNG from, and potential acquisition of an equity interest in, ECA LNG Phase 2.

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. The total price of the EPC contract is estimated at approximately \$1.5 billion. We estimate that capital expenditures will approximate \$2.0 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. We anticipate ECA LNG Phase 1 to begin producing LNG in time to commence commercial operations, which we expect to occur in the middle of 2025.

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 \$455 million was outstanding at September 30, 2022. 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 7 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.

We do not expect the construction or operation of the ECA LNG Phase 1 project to disrupt operations at the ECA Regas Facility, and have planned measures to limit disruption of operations should any arise. However, 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, making the decisions on whether, when and how to pursue the 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.

The construction of the ECA LNG Phase 1 project and the development of the potential ECA LNG Phase 2 project are subject to numerous risks and uncertainties. For Phase 1, these include maintaining permits and regulatory approvals; construction delays; securing and maintaining commercial arrangements, such as gas supply and transportation agreements; the impact of recent and proposed changes to the law in Mexico; and other factors associated with the project and its construction. For the ECA LNG Phase 2 project, these include obtaining binding customer commitments; the receipt of a number of permits and regulatory approvals; obtaining financing; negotiating and completing suitable commercial agreements, including a definitive EPC contract, equity acquisition and governance agreements, LNG sales agreements and 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. In addition, as we discuss in Note 11 of the Notes to Condensed Consolidated Financial Statements, an unfavorable decision on certain property disputes or permit challenges could materially adversely affect the development and construction of these projects and 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 projects to date. For a discussion of these risks, see “Part I – Item 1A. Risk Factors” in the Annual Report.

**Port Arthur LNG Liquefaction Export Project.** Sempra Infrastructure is developing a proposed natural gas liquefaction export project, to be developed in two phases, on a greenfield site that it owns in the vicinity of Port Arthur, Texas, located along the Sabine-Neches waterway. Sempra Infrastructure received authorizations from the DOE in August 2015 and May 2019 that collectively permit the LNG to be produced from the proposed PA LNG Phase 1 project to be exported to all current and future FTA and non-FTA countries. 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.

In April 2019, the FERC approved the siting, construction and operation of the proposed PA LNG Phase 1 project facilities, along with certain natural gas pipelines, including the Louisiana Connector and Texas Connector pipelines, that could be used to supply feed gas to the liquefaction facility if and when the project is completed. 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.

In February 2020, we entered into an EPC contract with Bechtel for the proposed PA LNG Phase 1 project. The EPC contract contemplates the construction of two liquefaction trains capable of producing, under optimal conditions, up to approximately 13.5 Mtpa, two LNG storage tanks, a marine berth and associated loading facilities and related infrastructure necessary to provide liquefaction services. We have no obligation to move forward under the EPC contract, and we may release Bechtel to perform portions of the work pursuant to limited notices to proceed. In October 2022, we amended and restated the EPC contract to reflect an estimated price of approximately \$10.5 billion, subject to adjustments. The contract price is valid until May 8, 2023, subject to certain conditions, including timely issuances of limited notices to proceed. While the agreement contemplates issuance of the full notice to proceed by February 8, 2023, the agreement also includes mechanisms that allow us to delay issuance of the full notice to proceed until up to May 8, 2023, subject to certain conditions including a price escalation of up to a maximum of \$149 million. Sempra Infrastructure and Bechtel must mutually agree to an adjustment to the contract price if the full notice to proceed is issued after May 8, 2023. Any agreement on such an amendment to the EPC contract by both parties or on favorable terms to Sempra Infrastructure cannot be assured. Either party may terminate the EPC contract if the full notice to proceed is not issued by May 8, 2024.

In July 2022, Sempra Infrastructure and ConocoPhillips entered into a non-binding HOA to develop Sempra Infrastructure's proposed PA LNG Phase 1 project and jointly participate in other related energy infrastructure in Southeast Texas and the Pacific Coast of Mexico, including ECA LNG Phase 2. In addition to potential offtake of 5 Mtpa of LNG from the proposed PA LNG Phase 1 project, the HOA also contemplates a 30% equity investment in the proposed PA LNG Phase 1 project by ConocoPhillips and the potential for ConocoPhillips to supply additional natural gas to the proposed facility.

We are progressing the development of the proposed PA LNG Phase 1 project, and are targeting a final investment decision in the first quarter of 2023 taking into account market demands given the current geopolitical environment, executing definitive agreements for LNG offtake and equity investments, and obtaining financing. We also continue 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 electric drives, renewable power sourcing and other technological solutions, which may apply to any future expansions.

Development of the Port Arthur LNG liquefaction export project is subject to a number of risks and uncertainties, including obtaining binding customer commitments; identifying suitable project and equity partners; completing the required commercial agreements, such as equity acquisition and governance agreements, LNG sales agreements and gas supply and transportation agreements; securing and maintaining all necessary permits and approvals, including approval from the FERC; obtaining financing and incentives, such as obtaining property tax abatement; reaching a positive final investment decision; and other factors associated with the potential investment. 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.

**Vista Pacifico LNG Liquefaction Export Project.** Sempra Infrastructure is developing Vista Pacifico LNG, a potential natural gas liquefaction, storage, and mid-scale export facility proposed to be located in the vicinity of Topolobampo in Sinaloa, Mexico, under an MOU with the CFE, which was subsequently updated in July 2022, that contemplates the negotiation of definitive agreements that would cover development of Vista Pacifico LNG, as well as a separate natural gas regasification project in La Paz Baja California Sur, and the potential re-routing of a portion of the Guaymas-El Oro segment of the Sonora pipeline and resumption of its operations through mutual agreements between the CFE and the Yaqui tribe. 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. In November 2020, Sempra Infrastructure filed an application with the DOE to permit the export of 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 and non-FTA countries. In April 2021, the DOE granted Vista Pacifico's LNG export authorization application for FTA countries.

In March 2022, TotalEnergies SE and Sempra Infrastructure entered into an 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 MOUs related to the proposed Vista Pacifico LNG project are non-binding arrangements. The ultimate participation in and offtake from the proposed project remain subject to negotiation and finalization of definitive agreements, among other factors, and the MOUs do not commit any party to enter into definitive agreements with respect to the project.

The development of the potential Vista Pacifico LNG project (as well as the other projects subject to the MOU with the CFE discussed above) is subject to numerous risks and uncertainties, including securing binding customer commitments; obtaining and maintaining a number of permits and regulatory approvals; securing financing; identifying suitable project partners; negotiating and completing suitable commercial agreements, including definitive EPC contracts, equity acquisition and governance agreements, LNG sales agreements and 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 JV facilities. In the third quarter of 2021, Sempra Infrastructure filed an application with the U.S. Environmental Protection Agency 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. The Participation Agreement contemplates that the combined Cameron LNG JV Phase 1 and proposed Cameron LNG JV Phase 2 projects 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 enter into a JV with Sempra Infrastructure for the Hackberry Carbon Sequestration project.

The development of the potential Hackberry Carbon Sequestration project is subject to numerous risks and uncertainties, including obtaining required consents from the Cameron LNG JV partners, securing binding customer commitments; identifying suitable project partners; obtaining and maintaining a number of permits and regulatory approvals; securing financing; negotiating and completing suitable commercial agreements, including a definitive EPC contract, and 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 6 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, 6 and 9 of the Notes to Condensed Consolidated Financial Statements.

### *Energy Networks*

**Construction Projects.** Sempra Infrastructure completed construction of additional terminals for the receipt, storage, and delivery of liquid fuels in the vicinity of Puebla and Topolobampo. Sempra Infrastructure is also developing terminals for the receipt, storage, and delivery of liquid fuels in the vicinity of Manzanillo and Ensenada.

As part of an industrywide audit and investigative process initiated by the CRE to enforce fuel procurement laws, federal prosecutors conducted inspections at several refined products terminals, including Sempra Infrastructure's refined products terminal in Puebla, to confirm that the gasoline and/or diesel in storage were legally imported. During the inspection of the Puebla terminal in September 2021, a federal prosecutor took samples from all the train and storage tanks in the terminal and ordered that the facility be temporarily shut down during the pendency of the analysis of the samples and investigation, while leaving the terminal in Sempra Infrastructure's custody. In November 2021, the CRE notified Sempra Infrastructure that it had started a

process to revoke Sempra Infrastructure's storage permit at the Puebla terminal. In December 2021, Sempra Infrastructure filed its response to the CRE. In May 2022, the CRE provided a final resolution that stopped the permit revocation process. In August 2022, the federal prosecutor concluded the investigation and lifted the order that had temporarily shut down the facility. Commissioning activities were restarted, and commercial operations commenced in October 2022.

Construction of the Topolobampo terminal was completed in May 2022, at which time commissioning activities commenced. We expect the Topolobampo terminal will commence commercial operations in the first quarter of 2023, subject to the receipt of pending permits.

Expected commencement dates could be delayed by worsening or extended disruptions of project construction caused by factors outside our control, including the COVID-19 pandemic. Sempra Infrastructure is continuing to monitor the impacts of the COVID-19 pandemic on cash flows and results of operations.

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.

### *Clean Power*

**Construction Projects.** ESJ completed construction and began commercial operations of a second, 108-MW wind power generation facility on January 15, 2022. This second wind power generation facility is fully contracted by SDG&E under a long-term PPA expiring in 2042.

In March 2022, TotalEnergies SE and Sempra Infrastructure entered into a non-binding MOU that provides a framework for cooperation in the development of North American renewable energy projects. The MOU includes the potential acquisition by TotalEnergies SE of a targeted 30% equity interest in certain renewable and energy storage development projects that are under development by Sempra Infrastructure in Northern Mexico. The ultimate participation of TotalEnergies SE remains subject to negotiation and finalization of definitive agreements, among other factors, and TotalEnergies SE and Sempra Infrastructure have no commitment to participate in any or all these projects unless such definitive agreements are established.

**Acquisition of ESJ.** As we discuss in Note 5 of the Notes to Condensed Consolidated Financial Statements, in March 2021, Sempra Infrastructure increased its ownership interest in ESJ from 50% to 100% by acquiring Saavi Energía's 50% equity interest in ESJ.

### *Legal and Regulatory Matters*

See Note 11 of the Notes to Condensed Consolidated Financial Statements 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.

#### **Sonora Pipeline**

- [Guaymas-El Oro Segment](#)

Our investment in the Guaymas-El Oro segment of the Sonora pipeline could be subject to impairment if Sempra Infrastructure is unable to make certain repairs (which have not commenced) or 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 that remains subject to regulatory and corporate authorizations) and resume operations or if Sempra Infrastructure terminates the contract and is unable to obtain recovery. Any such occurrence could 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**

- [Offtakers of Legacy Generation Permits](#)
- [Amendments to Mexico's Electricity Industry Law](#)
- [Amendments to Mexico's Hydrocarbons Law](#)

Sempra Infrastructure and other parties affected by these resolutions, orders, decrees, regulations and proposed amendments to Mexican law have challenged them by filing amparo and other claims, some of which have been granted injunctive relief. The court-ordered injunctions or suspensions provide temporary relief until Mexico's federal district court or Supreme Court ultimately resolves the amparo and other claims. An unfavorable decision on one or more of these amparo or other challenges, the potential for extended disputes, or the possibility of future reforms to the energy industry through further amendments to Mexican laws or rules 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 our 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.

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>(Dollars in millions)</i>			
Nine months ended September 30,	Sempra	SDG&E	SoCalGas
2022	\$ 1,455	\$ 1,368	\$ (762)
2021	2,981	1,024	1,037
Change	\$ (1,526)	\$ 344	\$ (1,799)
Net decrease in Reserve for Aliso Canyon Costs, current and noncurrent, due to \$2,052 higher payments and \$1,308 lower accruals	\$ (3,360)		\$ (3,360)
Change in net undercollected regulatory balancing accounts (including long-term amounts in regulatory assets)	(453)	\$ 67	(520)
Change in income taxes receivable/payable, net	(224)	12	35
Lower distributions received from Cameron LNG JV	(108)		
Increase in purchases of GHG allowances	(92)	(31)	(45)
Change in inventory	(55)		(109)
Change in customer deposits	73	28	37
Funds fully drawn against Gazprom's letters of credit, net of amounts applied	89		
Change in net margin posted	99		
Higher GHG emission obligations	110	15	97
Change in accounts payable	150	162	
Change in accounts receivable	296	(32)	170
Higher proceeds received from Insurance Receivable for Aliso Canyon	319		319
Higher net income, adjusted for noncash items included in earnings	1,658	131	1,544
Other	(28)	(8)	33
	\$ (1,526)	\$ 344	\$ (1,799)

**CASH FLOWS FROM INVESTING ACTIVITIES**
*(Dollars in millions)*

Nine months ended September 30,	Sempra	SDG&E	SoCalGas
2022	\$ (3,183)	\$ (1,643)	\$ (1,394)
2021	(3,456)	(1,553)	(1,417)
Change	\$ 273	\$ (90)	\$ 23
Repayment of note receivable from IMG	\$ 626		
Decrease (increase) in capital expenditures	66	\$ (91)	\$ 23
Acquisition of 50% interest in ESJ in March 2021 for \$79, net of \$14 of cash and cash equivalents acquired	65		
Contributions to Cameron LNG JV in 2022	(19)		
Higher contributions to Oncor Holdings	(105)		
Distributions from Oncor Holdings in 2021	(361)		
Other	1	1	
	\$ 273	\$ (90)	\$ 23

**CASH FLOWS FROM FINANCING ACTIVITIES**
*(Dollars in millions)*

Nine months ended September 30,	Sempra	SDG&E	SoCalGas
2022	\$ 1,936	\$ 469	\$ 2,172
2021	397	506	602
Change	\$ 1,539	\$ (37)	\$ 1,570
Higher issuances of long-term debt	\$ 2,893	\$ 650	\$ 697
Higher (lower) issuances of short-term debt with maturities greater than 90 days	1,826	(375)	800
Proceeds from sale of NCI to ADIA in 2022, net of \$12 of transaction costs	1,719		
Lower payments on long-term debt and finance leases	1,245	565	
Lower purchases of noncontrolling interests	221		
Lower preferred dividends paid	55		
Lower equity contributions from Sempra Energy			(150)
(Higher) lower common dividends paid	(89)	(100)	75
Distributions to SI Partners' minority shareholders in 2022	(146)		
Higher repurchases of common stock	(439)		
Higher payments for commercial paper and other short-term debt with maturities greater than 90 days	(2,295)	(375)	
Change in borrowings and repayments of short-term debt, net	(3,437)	(401)	155
Other	(14)	(1)	(7)
	\$ 1,539	\$ (37)	\$ 1,570



**Capital Expenditures, Investments and Acquisitions****EXPENDITURES FOR PP&E, INVESTMENTS AND ACQUISITIONS***(Dollars in millions)*

	Nine months ended September 30,	
	2022	2021
SDG&E	\$ 1,651	\$ 1,560
SoCalGas	1,394	1,417
Sempra Texas Utilities	256	151
Sempra Infrastructure	508	687
Parent and other	6	7
Total	\$ 3,815	\$ 3,822

The amounts and timing of capital expenditures and certain investments are generally subject to approvals by various regulatory and other governmental and environmental bodies, including the CPUC, the FERC and the PUCT, and various other factors described in this MD&A and in “Part I – Item 1A. Risk Factors” in the Annual Report. In 2022, we expect to make capital expenditures and investments of approximately \$5.7 billion (which excludes capital expenditures that will be funded by unconsolidated entities) a decrease from the \$6.2 billion projected in “Part II – Item 7. MD&A – Capital Resources and Liquidity” in the Annual Report. The decrease is primarily attributable to a delay in certain capital expenditures of approximately \$400 million at SDG&E and \$100 million at SoCalGas.

**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 the 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 8 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 generally exposed to commodity price risk indirectly through its LNG, natural gas pipelines and storage, and power-generating assets. In the first nine months of 2022, a hypothetical 10% unfavorable change in commodity prices would have resulted in a change in the fair value of our commodity-based natural gas and electricity derivatives of \$7 million at September 30, 2022 compared to \$3 million at December 31, 2021.

The one-day value at risk for SDG&E and SoCalGas’ commodity positions were \$6 million and negligible, respectively, at September 30, 2022 compared to \$5 million and \$1 million, respectively, at December 31, 2021.

## INTEREST RATE RISK

The table below shows the nominal amount of our debt:

NOMINAL AMOUNT OF DEBT <sup>(1)</sup>								
(Dollars in millions)								
	September 30, 2022			December 31, 2021				
	Sempra	SDG&E	SoCalGas	Sempra	SDG&E	SoCalGas		
<b>Short-term:</b>								
Sempra California	\$ 1,227	\$ —	\$ 1,227	\$ 1,161	\$ 776	\$ 385		
Other	523	—	—	2,310	—	—		
<b>Long-term:</b>								
Sempra California fixed-rate	\$ 12,559	\$ 7,400	\$ 5,159	\$ 10,876	\$ 6,417	\$ 4,459		
Sempra California variable-rate	700	400	300	300	—	300		
Other fixed-rate	10,076	—	—	8,591	—	—		
Other variable-rate	455	—	—	341	—	—		

<sup>(1)</sup> After the effects of interest rate swaps. Before reductions for unamortized discount and debt issuance costs and excluding finance lease obligations at September 30, 2022 and December 31, 2021, and before the effects of acquisition-related fair value adjustments at December 31, 2021.

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 September 30, 2022 increased or decreased by 10%, the change in earnings over the 12-month period ending September 30, 2023 would be approximately \$5 million. If interest rates increased or decreased by 10% on all variable-rate long-term debt at September 30, 2022, after considering the effects of interest rate swaps, the change in earnings over the 12-month period ending September 30, 2023 would be approximately \$4 million.

## FOREIGN CURRENCY AND INFLATION RATE RISK

We discuss our foreign currency and inflation exposures 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 September 30, 2022, there were no significant changes to our exposure to foreign currency rate risk since December 31, 2021.

In 2022, 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. If such costs were to 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 were to 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 September 30, 2022, 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.

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## PART II – OTHER INFORMATION

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### 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 10 and 11 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.

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### 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 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 Energy), 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						
Exhibit Number	Exhibit Description	Filed or Furnished Herewith	Incorporated by Reference			
			Form	Exhibit or Appendix	Filing Date	
<b>EXHIBIT 3 -- ARTICLES OF INCORPORATION AND BYLAWS</b>						
<i>Sempra Energy</i>						
3.1	<a href="#">Amended and Restated Articles of Incorporation of Sempra Energy effective May 23, 2008.</a>		10-K	3.1	02/27/20	
3.2	<a href="#">Bylaws of Sempra Energy (as amended through April 14, 2020).</a>		8-K	3.1	04/14/20	
3.3	<a href="#">Certificate of Determination of Preferences of the 6% Mandatory Convertible Preferred Stock, Series A, of Sempra Energy (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.</a>		8-K	3.1	01/09/18	
3.4	<a href="#">Certificate of Determination of Preferences of the 6.75% Mandatory Convertible Preferred Stock, Series B, of Sempra Energy (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.</a>		8-K	3.1	07/13/18	
3.5	<a href="#">Certificate of Determination of Preferences of 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C, of Sempra Energy (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.</a>		8-K	3.1	06/15/20	
<i>San Diego Gas &amp; Electric Company</i>						
3.6	<a href="#">Amended and Restated Articles of Incorporation of San Diego Gas &amp; Electric Company effective August 15, 2014.</a>		10-K	3.4	02/26/15	
3.7	<a href="#">Bylaws of San Diego Gas &amp; Electric Company (as amended through October 26, 2016).</a>		10-Q	3.1	11/02/16	
<i>Southern California Gas Company</i>						
3.8	<a href="#">Restated Articles of Incorporation of Southern California Gas Company effective October 7, 1996.</a>		10-K	3.01	03/28/97	
3.9	<a href="#">Bylaws of Southern California Gas Company (as amended through January 30, 2017).</a>		8-K	3.1	01/31/17	
<b>EXHIBIT 10 -- MATERIAL CONTRACTS</b>						
<i>Sempra Energy / Southern California Gas Company</i>						
10.1	<a href="#">Severance Pay Agreement between Sempra Energy and David Barrett, dated July 23, 2022.</a>	X				
10.2	<a href="#">Severance Pay Agreement between Sempra Energy and Mia DeMontigny, dated July 23, 2022.</a>	X				

**EXHIBIT INDEX (CONTINUED)**

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

**EXHIBIT INDEX (CONTINUED)**

Exhibit Number	Exhibit Description	Filed or Furnished Herewith
<b>EXHIBIT 101 -- INTERACTIVE DATA FILE</b>		
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
<b>EXHIBIT 104 -- COVER PAGE INTERACTIVE DATA FILE</b>		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	

**SIGNATURES**

**Sempra Energy:**

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 ENERGY,  
(Registrant)

Date: November 3, 2022 By: /s/ Peter R. Wall

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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: November 3, 2022 By: /s/ Valerie A. Bille

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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: November 3, 2022 By: /s/ Mia L. DeMontigny

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Mia L. DeMontigny  
Senior Vice President, Chief Financial Officer and Chief Accounting Officer (Duly Authorized Officer)

**SEMPRA ENERGY  
SEVERANCE PAY AGREEMENT**

**THIS AGREEMENT** (this “Agreement”), dated as of July 23, 2022 (the “Effective Date”), is made by and between SEMPra ENERGY, a California corporation (“Sempra Energy”), and David Barrett (the “Executive”).

**WHEREAS**, the Executive is currently employed by Sempra Energy or another corporation or trade or business which is a member of a controlled group of corporations (within the meaning of Section 414(b) or (c) of the Code) of which Sempra Energy is a component member, determined by applying an ownership threshold of 50% rather than 80% (Sempra Energy and such other controlled group members, collectively, the “Company”);

**WHEREAS**, Sempra Energy and the Executive desire to enter into this Agreement; and

**WHEREAS**, the Board of Directors of Sempra Energy (the “Board”) or an authorized committee thereof has authorized this Agreement.

**NOW, THEREFORE**, in consideration of the premises and mutual covenants herein contained, Sempra Energy and the Executive hereby agree as follows:

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

“AAA” has the meaning assigned thereto in Section 13(c) hereof.

“Accounting Firm” has the meaning assigned thereto in Section 8(e) hereof.

“Accrued Obligations” means the sum of (a) the Executive’s Annual Base Salary through the Date of Termination to the extent not theretofore paid, (b) an amount equal to any annual Incentive Compensation Awards earned with respect to fiscal years ended prior to the year that includes the Date of Termination to the extent not theretofore paid, (c) any accrued and unpaid vacation, and (d) reimbursement for unreimbursed business expenses, if any, properly incurred by the Executive in the performance of his duties in accordance with Company policies applicable to the Executive from time to time, in each case to the extent not theretofore paid.

“Affiliate” has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act.

“Annual Base Salary” means the Executive’s annual base salary from the Company.

“Asset Purchaser” has the meaning assigned thereto in Section 16(e).

“Asset Sale” has the meaning assigned thereto in Section 16(e).

“Average Annual Bonus” means the average of the annual bonuses from the Company earned by the Executive with respect to the three (3) fiscal years of Sempra Energy ending immediately preceding the Date of Termination (the “Bonus Fiscal Years”); *provided, however*, that, if the Executive was employed by the Company for less than three (3) Bonus Fiscal Years, “Average Annual Bonus” means the average of the annual bonuses (if any) from the Company earned by the Executive with respect to the Bonus Fiscal Years during which the Executive was employed by the Company; and, *provided, further*, that, if the Executive was not



employed by the Company during any of the Bonus Fiscal Years, “Average Annual Bonus” means zero (\$0).

“Cause” means:

(a) Prior to a Change in Control, (i) the willful failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness), (ii) the grossly negligent performance of such obligations referenced in clause (i) of this definition, (iii) the Executive’s gross insubordination; and/or (iv) the Executive’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this subsection (a), no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interests of the Company.

(b) From and after a Change in Control (or in connection with a termination occurring pursuant to Section 5(f)), (i) the willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness or other than any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 2 hereof and after the Company’s cure period relating to the event on which Good Reason is based, if any and if applicable, has expired) and/or (ii) the Executive’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this subsection (b), no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interests of the Company. Notwithstanding the foregoing, the Executive shall not be deemed terminated for Cause pursuant to clause (i) of this subsection (b) unless and until the Executive shall have been provided with reasonable notice of and, if possible, a reasonable opportunity to cure the facts and circumstances claimed to provide a basis for termination of the Executive’s employment for Cause.

“Change in Control” shall be deemed to have occurred on the date that a change in the ownership of Sempra Energy, a change in the effective control of Sempra Energy, or a change in the ownership of a substantial portion of assets of Sempra Energy occurs (each, as defined in subsection (a) below), except as otherwise provided in subsections (b), (c) and (d) below:

(a) (i) a “change in the ownership of Sempra Energy” occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of Sempra Energy that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of Sempra Energy,

(ii) a “change in the effective control of Sempra Energy” occurs only on either of the following dates:

(A) the date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Sempra Energy

possessing thirty percent (30%) or more of the total voting power of the stock of Sempra Energy, or

(B) the date a majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of appointment or election, and

(iii) a “change in the ownership of a substantial portion of assets of Sempra Energy” occurs on the date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from Sempra Energy that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of Sempra Energy immediately before such acquisition or acquisitions.

(b) A “change in the ownership of Sempra Energy” or “a change in the effective control of Sempra Energy” shall not occur under clause (a)(i) or (ii) by reason of any of the following:

(i) an acquisition of ownership of stock of Sempra Energy directly from Sempra Energy or its Affiliates other than in connection with the acquisition by Sempra Energy or its Affiliates of a business,

(ii) a merger or consolidation which would result in the voting securities of Sempra Energy outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least sixty percent (60%) of the combined voting power of the securities of Sempra Energy or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or

(iii) a merger or consolidation effected to implement a recapitalization of Sempra Energy (or similar transaction) in which no Person is or becomes the “beneficial owner” (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of Sempra Energy (not including the securities beneficially owned by such Person any securities acquired directly from Sempra Energy or its Affiliates other than in connection with the acquisition by Sempra Energy or its Affiliates of a business) representing twenty percent (20%) or more of the combined voting power of Sempra Energy’s then outstanding securities.

(c) A “change in the ownership of a substantial portion of assets of Sempra Energy” shall not occur under clause (a)(iii) by reason of a sale or disposition by Sempra Energy of the assets of Sempra Energy to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by shareholders of Sempra Energy in substantially the same proportions as their ownership of Sempra Energy immediately prior to such sale.

(d) This definition of “Change in Control” shall be limited to the definition of a “change in control event” with respect to the Executive and relating to Sempra Energy under Treasury Regulation Section 1.409A-3(i)(5).

“Change in Control Date” means the date on which a Change in Control occurs.

“Code” means the Internal Revenue Code of 1986, as amended.

“Compensation Committee” means the compensation committee of the Board.

“Consulting Payment” has the meaning assigned thereto in Section 14(e) hereof.

“Consulting Period” has the meaning assigned thereto in Section 14(f) hereof.

“Date of Termination” has the meaning assigned thereto in Section 2(b) hereof.

“Disability” has the meaning set forth in the long-term disability plan or its successor maintained by the Company entity that is the employer of the Executive; *provided, however*, that the Executive’s employment hereunder may not be terminated by reason of Disability unless (a) at the time of such termination there is no reasonable expectation that the Executive will return to work within the next ninety (90) day period and (b) such termination is permitted by all applicable disability laws.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the applicable rulings and regulations thereunder.

“Excise Tax” has the meaning assigned thereto in Section 8(a) hereof.

“Good Reason” means:

(a) Prior to a Change in Control, the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected by the Company prior to the Date of Termination specified in the Notice of Termination (as required under Section 2 hereof):

(i) the assignment to the Executive of any duties materially inconsistent with the range of duties and responsibilities appropriate to a senior executive within the Company (such range determined by reference to past, current and reasonable practices within the Company);

(ii) a material reduction in the Executive’s overall standing and responsibilities within the Company, but not including (A) a mere change in title or (B) a transfer within the Company, which, in the case of both (A) and (B), does not adversely affect the Executive’s overall status within the Company;

(iii) a material reduction by the Company in the Executive’s aggregate annualized compensation and benefits opportunities, except for across-the-board reductions (or modifications of benefit plans) similarly affecting all similarly situated executives of the Company of comparable rank with the Executive;

(iv) the failure by the Company to pay to the Executive any portion of the Executive’s current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive’s employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof;

(vi) the failure by Sempra Energy to perform its obligations under Section 16(c) or (d) hereof;

(vii) the failure by the Company to provide the indemnification and D&O insurance protection Section 10 of this Agreement requires it to provide; or

(viii) the failure by Sempra Energy (or any of the entities comprising the Company, as applicable) to comply with any material provision of this Agreement.

(b) From and after a Change in Control (or in connection with a termination occurring pursuant to Section 5(f)), the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected by the Company prior to the Date of Termination specified in the Notice of Termination (as required under Section 2 hereof):

(i) an adverse change in the Executive's title, authority, duties, responsibilities or reporting lines as in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Executive's aggregate annualized compensation opportunities, except for across-the-board reductions in base salaries, annual bonus opportunities or long-term incentive compensation opportunities of less than ten percent (10%) similarly affecting all similarly situated executives (including, if applicable, of the Person then in control of Sempra Energy) of comparable rank with the Executive; or the failure by the Company to continue in effect any material benefit plan in which the Executive participates immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(iii) the relocation of the Executive's principal place of employment immediately prior to the Change in Control Date (the "Principal Location") to a location which is both further away from the Executive's residence and more than thirty (30) miles from such Principal Location, or the Company's requiring the Executive to be based anywhere other than such Principal Location (or permitted relocation thereof), or a substantial increase in the Executive's business travel obligations outside of the Southern California area as of immediately prior to the Change in Control (without regard to any changes therein in anticipation of the Change in Control) other than any such increase that (A) arises in connection with extraordinary business activities of the Company of limited duration and (B) is understood not to be part of the Executive's regular duties with the Company;

(iv) the failure by the Company to pay to the Executive any portion of the Executive's current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof;

(vi) the failure by Sempra Energy to perform its obligations under Section 16(c) or (d) hereof;

(vii) the failure by the Company to provide the indemnification and D&O insurance protection Section 10 of this Agreement requires it to provide; or

(viii) the failure by Sempra Energy (or any of the entities comprising the Company, as applicable) to comply with any material provision of this Agreement.

Following a Change in Control, the Executive's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is deemed to be unreasonable by an arbitrator pursuant to the procedure described in Section 13 hereof. The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Incentive Compensation Awards" means awards granted under Incentive Compensation Plans providing the Executive with the opportunity to earn, on a year-by-year basis, annual and long-term incentive compensation.

"Incentive Compensation Plans" means annual incentive compensation plans and long-term incentive compensation plans of the Company, which long-term incentive compensation plans may include plans offering stock options, restricted stock and other long-term incentive compensation.

"Involuntary Termination" means (a) the Executive's Separation from Service by reason other than for Cause, death, Disability, or Mandatory Retirement, or (b) the Executive's Separation from Service by reason of resignation of employment for Good Reason.

"JAMS" has the meaning assigned thereto in Section 13(c) hereof.

"Mandatory Retirement" means termination of employment pursuant to the Company's mandatory retirement policy.

"Medical Continuation Benefits" has the meaning assigned thereto in Section 4(c) hereof.

"Notice of Termination" has the meaning assigned thereto in Section 2(a) hereof.

"Payment" has the meaning assigned thereto in Section 8(a) hereof.

"Payment in Lieu of Notice" has the meaning assigned thereto in Section 2(b) hereof.

"Person" means any person, entity or "group" within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, except that such term shall not include (a) Sempra Energy or any of its Affiliates, (b) a trustee or other fiduciary holding securities under an employee benefit plan of Sempra Energy or any of its Affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, (d) a corporation owned, directly or indirectly, by the shareholders of Sempra Energy in substantially the same proportions as their ownership of stock of Sempra Energy, or (e) a "person" or "group" as used in Rule 13d-1(b) under the Exchange Act.

"Post-Change in Control Severance Payment" has the meaning assigned thereto in Section 5 hereof.

"Pre-Change in Control Severance Payment" has the meaning assigned thereto in Section 4 hereof.

“Principal Location” has the meaning assigned thereto in clause (b)(iii) of the definition of Good Reason, above.

“Proprietary Information” has the meaning assigned thereto in Section 14(a) hereof.

“Pro Rata Bonus” means a severance amount equal to the greater of (a) the Executive's Target Bonus as in effect immediately prior to the Change in Control or on the Date of Termination, whichever is greater, or (b) the Executive's Average Annual Bonus, multiplied by a fraction, (X) the numerator of which shall be the number of days from the beginning of such fiscal year to and including the Date of Termination and (Y) the denominator of which shall be three hundred sixty-five (365).

“Release” has the meaning assigned thereto in Section 4 hereof. The Release is not a condition of employment or continued employment or a condition of receiving a raise or a bonus.

“Section 409A Payments” means any payments under this Agreement which are subject to Section 409A of the Code.

“Sempra Energy Control Group” means Sempra Energy and all persons with whom Sempra Energy would be considered a single employer under Section 414(b) or (c) of the Code, as determined from time to time.

“Separation from Service” has the meaning set forth in Treasury Regulation Section 1.409A-1(h).

“Specified Employee” shall be determined in accordance with Section 409A(a)(2)(B)(i) of the Code and Treasury Regulation Section 1.409A-1(i).

“Target Bonus” means, for any year, the target annual bonus from the Company that may be earned by the Executive for such year (regardless of the actual annual bonus earned, if any); *provided, however*, that if, as of the Date of Termination, a target annual bonus has not been established for the Executive for the year in which the Date of Termination occurs, the “Target Bonus” as of the Date of Termination shall be equal to the target annual bonus, if any, for the immediately preceding fiscal year of Sempra Energy.

For purposes of this Agreement, references to any “Treasury Regulation” shall mean such Treasury Regulation as in effect on the date hereof.

**Section 2.** Notice and Date of Termination. Any termination of the Executive’s employment by the Company or by the Executive shall be communicated by a written notice of termination to the other party (the “Notice of Termination”). Where applicable, the Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated. Unless the Board or a committee thereof, in writing, provides a longer notice period, a Notice of Termination by the Executive alleging a termination for Good Reason must be made within one hundred eighty (180) days of the act or failure to act that the Executive alleges to constitute Good Reason.

(b) The date of the Executive’s termination of employment with the Company (the “Date of Termination”) shall be determined as follows: (i) if the Executive’s Separation from Service is at the volition of the Company, then the Date of Termination shall be the date

specified in the Notice of Termination (which, in the case of a termination by the Company other than for Cause, shall not be less than two (2) weeks from the date such Notice of Termination is given unless the Company elects to pay the Executive, in addition to any other amounts payable hereunder, an amount (the “Payment in Lieu of Notice”) equal to two (2) weeks of the Executive’s Annual Base Salary in effect on the Date of Termination), and (ii) if the Executive’s Separation from Service is by the Executive for Good Reason, the Date of Termination shall be determined by the Executive and specified in the Notice of Termination, but in no event be less than fifteen (15) days nor more than sixty (60) days after the date such Notice of Termination is given. The Payment in Lieu of Notice shall be paid on such date as is required by law, but no later than thirty (30) days after the date of the Executive’s Separation from Service.

**Section 3.** Termination from the Board. Upon the termination of the Executive’s employment for any reason, the Executive’s membership on the Board, the board of directors of any Affiliates of Sempra Energy, any committees of the Board and any committees of the board of directors of any of the Affiliates of Sempra Energy, if applicable, shall be automatically terminated and the Executive agrees to take any and all actions (including resigning) required by Sempra Energy or any of its Affiliates to evidence and effect such termination of membership.

**Section 4.** Severance Benefits upon Involuntary Termination Prior to Change in Control. Except as provided in Sections 5(f) and 19(i) hereof, in the event of the Involuntary Termination of the Executive prior to a Change in Control, Sempra Energy shall, or shall cause one of its Affiliates that is the employer of the Executive to, pay the Executive, in one lump sum cash payment, an amount (the “Pre-Change in Control Severance Payment”) equal to one-half (0.5) times the sum of (X) the Executive’s Annual Base Salary as in effect on the Date of Termination plus (Y) an amount equal to the greater of (I) his Average Annual Bonus or (II) the Target Bonus in effect on the Date of Termination. In addition to the Pre-Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits specified in Section 4(a) through (e). The Company’s obligation to pay the Pre-Change in Control Severance Payment or provide the benefits set forth in Section 4(c), (d) and (e) is subject to and conditioned upon the Executive executing a release of all claims substantially in the form attached hereto as Exhibit A (the “Release”) within fifty (50) days after the date of Involuntary Termination and the Executive not revoking such Release in accordance with the terms thereof. The Pre-Change in Control Severance Payment shall be paid within sixty (60) days after the date of the Involuntary Termination on such date as is determined by Sempra Energy, but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one taxable year, then the Pre-Change in Control Severance Payment shall not be made until the later taxable year.

(a) Accrued Obligations. The Company shall pay the Executive a lump sum amount in cash equal to Accrued Obligations within the time prescribed by law.

(b) Equity-Based Compensation. The Executive shall retain all rights to any equity-based compensation awards to the extent set forth in the applicable plan and/or award agreement.

(c) Welfare Benefits. Subject to the terms and conditions of this Agreement, for a period of six (6) months following the date of the Involuntary Termination (and an additional twelve (12) months if the Executive provides consulting services under Section 14(f) hereof), the Executive and his dependents shall be provided with group medical benefits which are substantially similar to those provided from time to time to similarly situated active employees of the Company (and their eligible dependents) (“Medical Continuation Benefits”). Without limiting the generality of the foregoing, such Medical Continuation Benefits shall be provided on substantially the same terms and conditions and at the same cost to the Executive as

apply to similarly situated active employees of the Company. Such benefits shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(a)(5). Notwithstanding the foregoing, if Sempra Energy determines in its sole discretion that the Medical Continuation Benefits cannot be provided without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or that the provision of Medical Continuation Benefits under this Agreement would subject Sempra Energy or any of its Affiliates to a material tax or penalty, (i) the Executive shall be provided, in lieu thereof, with a taxable monthly payment in an amount equal to the monthly premium that the Executive would be required to pay to continue the Executive's and his covered dependents' group medical benefit coverages under COBRA as then in effect (which amount shall be based on the premiums for the first month of COBRA coverage) or (ii) Sempra Energy shall have the authority to amend the Agreement to the limited extent reasonably necessary to avoid such violation of law or tax or penalty and shall use all reasonable efforts to provide the Executive with a comparable benefit that does not violate applicable law or subject Sempra Energy or any of its Affiliates to such tax or penalty.

(d) **Outplacement Services.** The Executive shall receive reasonable outplacement services, on an in-kind basis, suitable to his position and directly related to the Executive's Involuntary Termination, for a period of eighteen (18) months following the date of the Involuntary Termination, in an aggregate amount of cost to the Company not to exceed \$50,000. Notwithstanding the foregoing, the Executive shall cease to receive outplacement services on the date the Executive accepts employment with a subsequent employer. Such outplacement services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b)(9)(v)(A).

(e) **Financial Planning Services.** The Executive shall receive financial planning services, on an in-kind basis, for a period of eighteen (18) months following the Date of Termination. Such financial planning services shall include expert financial and legal resources to assist the Executive with financial planning needs and shall be limited to (i) current investment portfolio management, (ii) tax planning, (iii) tax return preparation, and (iv) estate planning advice and document preparation (including wills and trusts); *provided, however*, that the Company shall provide such financial planning services during any taxable year of the Executive only to the extent the cost to the Company for such taxable year does not exceed \$25,000. The Company shall provide such financial planning services through a financial planner selected by the Company, and shall pay the fees for such financial planning services. The financial planning services provided during any taxable year of the Executive shall not affect the financial planning services provided in any other taxable year of the Executive. The Executive's right to financial planning services shall not be subject to liquidation or exchange for any other benefit. Such financial planning services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv).

**Section 5. Severance Benefits upon Involuntary Termination in Connection with and after Change in Control.** Notwithstanding the provisions of Section 4 above, and except as provided in Section 19(i) hereof, in the event of the Involuntary Termination of the Executive on or within two (2) years following a Change in Control, in lieu of the payments described in Section 4 above, Sempra Energy shall, or shall cause one of its Affiliates that is the employer of the Executive to, pay the Executive, in one lump sum cash payment, an amount (the "Post-Change in Control Severance Payment") equal to (a) the Pro Rata Bonus plus (b) the sum of (X) the Executive's Annual Base Salary as in effect immediately prior to the Change in Control or on the Date of Termination, whichever is greater, plus (Y) an amount equal to the greater of (I) the Executive's Target Bonus determined immediately prior to the Change in Control or the Date of Termination, whichever is greater and (II) the Executive's Average Annual Bonus; *provided, however*, that, in the event that the Involuntary Termination occurs prior to January 12, 2024, the Post-Change in Control Severance Payment shall be increased by twenty-five percent (25%). In



addition to the Post-Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits specified in Section 5(a) through (e). The Company's obligation to pay the Post-Change in Control Severance Payment or provide the benefits set forth in Section 5(b), (c), (d), and (e) is subject to and conditioned upon the Executive executing the Release within fifty (50) days after the date of Involuntary Termination and the Executive not revoking such Release in accordance with the terms thereof. Except as provided in Section 5(f), the Post-Change in Control Severance Payment shall be paid within sixty (60) days after the date of Involuntary Termination on such date as is determined by Sempra Energy (or its successor) but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one (1) taxable year, then the Post-Change in Control Severance Payment shall not be made until the later taxable year.

(a) Accrued Obligations. The Company shall pay the Executive a lump sum amount in cash equal to the Accrued Obligations within the time required by law and, to the extent applicable, in accordance with the applicable plan, policy or arrangement pursuant to which such payments are to be made.

(b) Equity-Based Compensation. Notwithstanding the provisions of any applicable equity-based compensation plan or award agreement to the contrary, all equity-based Incentive Compensation Awards (including, without limitation, stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance share awards, awards covered under Section 162(m) of the Code, and dividend equivalents) held by the Executive shall immediately vest and become exercisable or payable, as the case may be, as of the Date of Termination, to be exercised or paid, as the case may be, in accordance with the terms of the applicable Incentive Compensation Plan and Incentive Compensation Award agreement, and any restrictions on any such Incentive Compensation Awards shall automatically lapse; *provided, however*, that, in the case of any stock option or stock appreciation rights awards granted on or after June 26, 1998 that remain outstanding on the Date of Termination, such stock options or stock appreciation rights shall remain exercisable until the earlier of (i) the later of eighteen (18) months following the Date of Termination or the period specified in the applicable Incentive Compensation Award agreement or (ii) the expiration of the original term of such Incentive Compensation Award (or, if earlier, the tenth (10th) anniversary of the original date of grant) (it being understood that all Incentive Compensation Awards granted prior to, on or after June 26, 1998 shall remain outstanding and exercisable for a period that is no less than that provided for in the applicable agreement in effect as of the date of grant).

(c) Welfare Benefits. Subject to the terms and conditions of this Agreement, for a period of twelve (12) months following the date of Involuntary Termination (and an additional twelve (12) months if the Executive provides consulting services under Section 14(f) hereof), the Executive and his dependents shall be provided with life, disability, accident and group medical benefits which are substantially similar to those provided to the Executive and his dependents immediately prior to the date of Involuntary Termination or the Change in Control Date, whichever is more favorable to the Executive. Without limiting the generality of the foregoing, the continuing benefits described in the preceding sentence shall be provided on substantially the same terms and conditions and at the same cost to the Executive as in effect immediately prior to the date of Involuntary Termination or the Change in Control Date, whichever is more favorable to the Executive. Such benefits shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(a)(5). Notwithstanding the foregoing, if Sempra Energy determines in its sole discretion that the portion of the foregoing continuing benefits that constitute group medical benefits cannot be provided without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or that the provision of such group medical benefits under this Agreement would subject Sempra Energy or any of its Affiliates to a material tax or penalty, (i) the Executive shall be provided, in lieu thereof, with a taxable monthly payment in an amount equal to the monthly premium that the

Executive would be required to pay to continue the Executive's and his covered dependents' group medical benefit coverages under COBRA as then in effect (which amount shall be based on the premiums for the first month of COBRA coverage) or (ii) Sempra Energy shall have the authority to amend the Agreement to the limited extent reasonably necessary to avoid such violation of law or tax or penalty and shall use all reasonable efforts to provide the Executive with a comparable benefit that does not violate applicable law or subject Sempra Energy or any of its Affiliates to such tax or penalty.

(d) Outplacement Services. The Executive shall receive reasonable outplacement services, on an in-kind basis, suitable to his position and directly related to the Executive's Involuntary Termination, for a period of twenty-four (24) months following the date of Involuntary Termination (but in no event beyond the last day of the Executive's second (2nd) taxable year following the Executive's taxable year in which the Involuntary Termination occurs), in the aggregate amount of cost to the Company not to exceed \$50,000. Notwithstanding the foregoing, the Executive shall cease to receive outplacement services on the date the Executive accepts employment with a subsequent employer. Such outplacement services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b)(9)(v)(A).

(e) Financial Planning Services. The Executive shall receive financial planning services, on an in-kind basis, for a period of twenty-four (24) months following the date of Involuntary Termination. Such financial planning services shall include expert financial and legal resources to assist the Executive with financial planning needs and shall be limited to (i) current investment portfolio management, (ii) tax planning, (iii) tax return preparation, and (iv) estate planning advice and document preparation (including wills and trusts); *provided, however*, that the Company shall provide such financial services during any taxable year of the Executive only to the extent the cost to the Company for such taxable year does not exceed \$25,000. The Company shall provide such financial planning services through a financial planner selected by the Company, and shall pay the fees for such financial planning services. The financial planning services provided during any taxable year of the Executive shall not affect the financial planning services provided in any other taxable year of the Executive. The Executive's right to financial planning services shall not be subject to liquidation or exchange for any other benefit. Such financial planning services shall be provided in a manner that complies with Section 1.409A-3(i)(1)(iv).

(f) Involuntary Termination in Connection with a Change in Control. Notwithstanding anything contained herein, in the event of an Involuntary Termination prior to a Change in Control, if the Involuntary Termination (i) was at the request of a third party who has taken steps reasonably calculated to effect such Change in Control or (ii) otherwise arose in connection with or in anticipation of such Change in Control, then the Executive shall, in lieu of the payments described in Section 4 hereof, be entitled to the Post-Change in Control Severance Payment and the additional benefits described in this Section 5 as if such Involuntary Termination had occurred within two (2) years following the Change in Control. The amounts specified in Section 5 that are to be paid under this Section 5(f) shall be reduced by any amount previously paid under Section 4. The amounts to be paid under this Section 5(f) shall be paid within sixty (60) days after the Change in Control Date of such Change in Control.

**Section 6.** Severance Benefits upon Termination by the Company for Cause or by the Executive Other than for Good Reason. If the Executive's employment shall be terminated for Cause, or if the Executive terminates employment other than for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the pre-Change in Control Accrued Obligations and any amounts or benefits described in Section 10 hereof.

**Section 7. Severance Benefits upon Termination due to Death or Disability.** If the Executive has a Separation from Service by reason of death or Disability, the Company shall pay the Executive or his estate, as the case may be, the Accrued Obligations and a severance amount equal to the Pro Rata Bonus (without regard to whether a Change in Control has occurred) and any amounts or benefits described in Section 10 hereof. Such payments shall be in addition to those rights and benefits to which the Executive or his estate may be entitled under the relevant Company plans or programs. The Company's obligation to pay the severance amount pursuant to this Section 7 is conditioned upon the Executive, the Executive's representative or the Executive's estate, as the case may be executing the Release within fifty (50) days after the date of the Executive's Separation from Service and not revoking such Release in accordance with the terms thereof. The Accrued Obligations shall be paid within the time required by law and the severance amount payable pursuant to this Section 7 shall be paid within sixty (60) days after the date of the Separation from Service on such date determined by Sempra Energy but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one (1) taxable year, then the severance amount shall not be made until the later taxable year.

**Section 8. Limitation on Payments by the Company.**

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth in this Section 8 below, in the event it shall be determined that any payment or distribution "in the nature of compensation" (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise (the "Payment") would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code, (the "Excise Tax"), then, subject to Section 8(b), the Pre-Change in Control Severance Payment or the Post-Change in Control Severance Payment (whichever is applicable) payable under this Agreement shall be reduced under this Section 8(a) to the amount equal to the Reduced Payment. For such Payment payable under this Agreement, the "Reduced Payment" shall be the amount equal to the greatest portion of the Payment (which may be zero (\$0)) that, if paid, would result in no portion of any Payment being subject to the Excise Tax.

(b) The Pre-Change in Control Severance Payment or the Post-Change in Control Severance Payment (whichever is applicable) payable under this Agreement shall not be reduced under Section 8(a) if:

(i) such reduction in such Payment is not sufficient to cause no portion of any Payment to be subject to the Excise Tax, or

(ii) the Net After-Tax Unreduced Payments (as defined below) would equal or exceed one hundred five percent (105%) of the Net After-Tax Reduced Payments (as defined below).

For purposes of determining the amount of any Reduced Payment under Section 8(a), and the Net-After Tax Reduced Payments and the Net After-Tax Unreduced Payments, the Executive shall be considered to pay federal, state and local income and employment taxes at the Executive's applicable marginal rates taking into consideration any reduction in federal income taxes which could be obtained from the deduction of state and local income taxes, and any reduction or disallowance of itemized deductions and personal exemptions under applicable tax law). The applicable federal, state and local income and employment taxes and the Excise Tax (to the extent applicable) are collectively referred to as the "Taxes."

(c) For purposes of determining the amount of any Reduced Payment under this Section 8, the amount of any Payment shall be reduced in the following order:

(i) first, by reducing the amounts of parachute payments that would not constitute deferred compensation subject to Section 409A of the Code;

(ii) next, if after the reduction described in Section 8(c)(i), additional reductions are required, then by reducing the cash portion of the Payment that constitutes “deferred compensation” (within the meaning of Section 409A) subject to Section 409A, with the reductions to be applied first to the portion of the Payment scheduled for the latest distribution date, and then applied to distributions scheduled for progressively earlier distribution dates, to the extent necessary to decrease the Payment as required under this Section 8; and

(iii) next, if after the reduction described in Section 8(c)(ii), additional reductions are required, then, by reducing the non-cash portion of the Payment that constitutes deferred compensation (within the meaning of Section 409A) subject to Section 409A, with the reductions to be applied first to the portion of the Payment scheduled for the latest distribution date, and then applied to distributions scheduled for progressively earlier distribution dates, to the extent necessary to decrease the Payment as required under this Section 8.

(d) The following definitions shall apply for purposes of this Section 8:

(i) “Net After-Tax Reduced Payments” shall mean the total amount of all Payments that the Executive would retain, on a Net After-Tax Basis, in the event that the Payments payable under this Agreement are reduced pursuant to Section 8(a).

(ii) “Net After-Tax Unreduced Payments” shall mean the total amount of all Payments that the Executive would retain, on a Net After-Tax Basis, in the event that the Payments payable under this Agreement are not reduced pursuant to Section 8(a).

(iii) “Net After-Tax Basis” shall mean, with respect to the Payments, either with or without reduction under Section 8(a) (as applicable), the amount that would be retained by the Executive from such Payments after the payment of all Taxes.

(e) All determinations required to be made under this Section 8 and the assumptions to be utilized in arriving at such determinations, shall be made by a nationally recognized accounting firm as may be agreed by the Company and the Executive (the “Accounting Firm”); *provided*, that the Accounting Firm’s determination shall be made based upon “substantial authority” within the meaning of Section 6662 of the Code. The Accounting Firm shall provide detailed supporting calculations to both the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. For purposes of determining whether and the extent to which the Payments will be subject to the Excise Tax, (i) no portion of the Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a “payment” within the meaning of Section 280G(b) of the Code shall be taken into account, (ii) no portion of the Payments shall be taken into account which, in the written opinion of the Accounting Firm, does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Payments shall be taken into account which, in the opinion of the Accounting Firm, constitutes “reasonable compensation” for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the “base amount” (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of

any non-cash benefit or any deferred payment or benefit included in the Payments shall be determined by the Accounting Firm in accordance with the principles of Section 280G(d)(3) and (4) of the Code.

**Section 9.** Delayed Distribution under Section 409A of the Code. Notwithstanding any other provision of this Agreement to the contrary, if the Executive is a Specified Employee on the date of the Executive's Involuntary Termination (or on the date of the Executive's Separation from Service by reason of Disability), the Section 409A Payments which are payable upon Separation from Service shall be delayed to the extent necessary in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, and such delayed payments or benefits shall be paid or distributed to the Executive during the thirty (30) day period commencing on the earlier of (a) the expiration of the six (6) month period measured from the date of the Executive's Separation from Service or (b) the date of the Executive's death. Upon the expiration of the applicable six (6) month period, all payments deferred pursuant to this Section 9 (excluding in-kind benefits) shall be paid in a lump sum payment to the Executive, plus interest thereon from the date of the Executive's Involuntary Termination through the payment date at an annual rate equal to Moody's Rate. The "Moody's Rate" shall mean the average of the daily Moody's Corporate Bond Yield Average – Monthly Average Corporates as published by Moody's Investors Service, Inc. (or any successor) for the month next preceding the Date of Termination. Any remaining payments due under the Agreement shall be paid as otherwise provided herein.

**Section 10.** Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), including, without limitation, any and all indemnification arrangements in favor of the Executive (whether under agreements or under the Company's charter documents or otherwise), and insurance policies covering the Executive, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into with, the Company shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. At all times during the Executive's employment with the Company and thereafter, the Company shall provide (to the extent permissible under applicable law) the Executive with indemnification and D&O insurance insuring the Executive against insurable events which occur or have occurred while the Executive was a director or executive officer of the Company, that with respect to such insurance is on terms and conditions that, to the extent reasonably practical, are at least as generous as that then currently provided to any other current or former director or executive officer of the Company or any Affiliate. Such indemnification and D&O insurance shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b) (10).

**Section 11.** Clawbacks. Notwithstanding anything herein to the contrary, if Sempra Energy determines, in its good faith judgment, that if the Executive is required to forfeit or to make any repayment of any compensation or benefit(s) to the Company under the Sarbanes-Oxley Act of 2002 or pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or any other law or pursuant to any formal policy of Sempra Energy, such forfeiture or repayment shall not constitute Good Reason.

**Section 12.** Full Settlement; Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others, provided that nothing

herein shall preclude the Company from separately pursuing recovery from the Executive based on any such claim. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

**Section 13. Dispute Resolution.**

(a) If any dispute arises between the Executive and Sempra Energy or any of its Affiliates, including, but not limited to, disputes relating to or arising out of this Agreement, any action relating to or arising out of the Executive's employment or its termination, and/or any disputes regarding the interpretation, enforceability, or validity of this Agreement ("Arbitrable Dispute"), the Executive and Sempra Energy waive the right to resolve the dispute through litigation in a judicial forum and agree to resolve the Arbitrable Dispute through final and binding arbitration, except as prohibited by law. Arbitration shall be the exclusive remedy for any Arbitrable Dispute.

(b) As to any Arbitrable Dispute, Sempra Energy and the Executive waive any right to a jury trial or a court bench trial. The Company and the Executive also waive the right to bring, maintain, or participate in any class, collective, or representative proceeding, whether in arbitration or otherwise. Further, Arbitrable Disputes must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis.

(c) Arbitration shall take place at the office of the Judicial Arbitration and Mediation Service ("JAMS") (or, if the Executive is employed outside of California, the American Arbitration Association ("AAA")) nearest to the location where the Executive last worked for the Company. Except to the extent it conflicts with the rules and procedures set forth in this Agreement, arbitration shall be conducted in accordance with the JAMS Employment Arbitration Rules & Procedures (if the Executive is employed outside of California, the AAA Employment Arbitration Rules & Mediation Procedures), copies of which are attached for reference and available at [www.jamsadr.com](http://www.jamsadr.com); tel: 800.352.5267 and [www.adr.org](http://www.adr.org); tel: 800.778.7879, before a single experienced, neutral employment arbitrator selected in accordance with those rules.

(d) Sempra Energy will be responsible for paying any filing fee and the fees and costs of the arbitrator. Each party shall pay its own attorneys' fees. However, if any party prevails on a statutory claim that authorizes an award of attorneys' fees to the prevailing party, or if there is a written agreement providing for attorneys' fees, the arbitrator may award reasonable attorneys' fees to the prevailing party, applying the same standards a court would apply under the law applicable to the claim.

(e) The arbitrator shall apply the Federal Rules of Evidence, shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party, and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The arbitrator does not have the authority to consider, certify, or hear an arbitration as a class action, collective action, or any other type of representative action. Sempra Energy and the Executive recognize that this Agreement arises out of or concerns interstate commerce and that the Federal Arbitration Act shall govern the arbitration and shall govern the interpretation or enforcement of this Agreement or any arbitration award.

(f) EXECUTIVE ACKNOWLEDGES THAT BY ENTERING INTO THIS AGREEMENT, EXECUTIVE IS WAIVING ANY RIGHT HE MAY HAVE TO A TRIAL BY JURY.

**Section 14. Executive's Covenants.**

(a) Confidentiality. The Executive acknowledges that in the course of his employment with the Company, he has acquired non-public privileged or confidential information and trade secrets concerning the operations, future plans and methods of doing business ("Proprietary Information") of Sempra Energy and its Affiliates; and the Executive agrees that it would be extremely damaging to Sempra Energy and its Affiliates if such Proprietary Information were disclosed to a competitor of Sempra Energy and its Affiliates or to any other person or corporation. The Executive understands and agrees that all Proprietary Information has been divulged to the Executive in confidence and further understands and agrees to keep all Proprietary Information secret and confidential (except for such information which is or becomes publicly available other than as a result of a breach by the Executive of this provision or information the Executive is required by any governmental, administrative or court order to disclose) without limitation in time. In view of the nature of the Executive's employment and the Proprietary Information the Executive has acquired during the course of such employment, the Executive likewise agrees that Sempra Energy and its Affiliates would be irreparably harmed by any disclosure of Proprietary Information in violation of the terms of this Section 14(a) and that Sempra Energy and its Affiliates shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this Section 14(a) and to any other relief available to them. Inquiries regarding whether specific information constitutes Proprietary Information shall be directed to the Company's Senior Vice President, Public Policy (or, if such position is vacant, the Company's then Chief Executive Officer); *provided*, that the Company shall not unreasonably classify information as Proprietary Information.

(b) Governmental Reporting. Nothing in this Agreement is intended to interfere with or discourage the Executive's good faith disclosure related to a suspected violation of federal or state law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. The Executive cannot and will not be held criminally or civilly liable under any federal or state trade secret law for disclosing otherwise protected trade secrets and/or confidential or proprietary information so long as the disclosure is made in (i) confidence to a federal, state, or local government official, directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) a complaint or other document filed in a lawsuit or other proceeding, so long as such filing is made under seal. The Company will not retaliate against the Executive in any way for a disclosure made pursuant to this Section 14(b). Further, in the event the Executive makes such a disclosure, and files a lawsuit against the Company alleging that the Company retaliated against the Executive because of the disclosure, the Executive may disclose the relevant trade secret or confidential information to the Executive's attorney, and may use the same in the court proceeding only if (X) the Executive ensures that any court filing that includes the trade secret or confidential information at issue is made under seal; and (Y) the Executive does not otherwise disclose the trade secret or confidential information except as required by court order.

(c) Non-Solicitation of Employees. The Executive recognizes that he possesses and will possess confidential information about other employees of Sempra Energy and its Affiliates relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with customers of Sempra Energy and its Affiliates. The Executive recognizes that the information he possesses and will possess about these other employees is not generally known, is of substantial value to Sempra Energy and its Affiliates in developing their business and in securing and retaining customers, and has been and will be acquired by him because of his business position with Sempra Energy and its Affiliates. The Executive agrees that at all times during the Executive's employment with the Company and for a period of one (1) year thereafter, he will not, directly or indirectly, solicit or recruit any

employee of the Company or its Affiliates for the purpose of being employed by him or by any competitor of the Company or its Affiliates on whose behalf he is acting as an agent, representative or employee and that he will not convey any such confidential information or trade secrets about other employees of Sempra Energy and its Affiliates to any other person; *provided, however*, that it shall not constitute a solicitation or recruitment of employment in violation of this Section 14(c) to discuss employment opportunities with any employee of the Company or its Affiliates who has either first contacted the Executive or regarding whose employment the Executive has discussed with and received the written approval of the Company's most senior Vice President, Human Resources (or, if such position is vacant, the Company's then Chief Executive Officer), prior to making such solicitation or recruitment. In view of the nature of the Executive's employment with the Company, the Executive likewise agrees that Sempra Energy and its Affiliates would be irreparably harmed by any solicitation or recruitment in violation of the terms of this Section 14(c) and that Sempra Energy and its Affiliates shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this Section 14(c) and to any other relief available to them.

(d) Survival of Provisions. The obligations contained in Section 14(a), (b) and (c) above shall survive the termination of the Executive's employment within the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in Section 14(a) or (c) above is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

(e) Release; Consulting Payment. In the event of the Executive's Involuntary Termination, if the Executive (i) reconfirms and agrees to abide by the covenants described in Section 14(a) and (c) above, (ii) executes the Release within fifty (50) days after the date of Involuntary Termination and does not revoke such Release in accordance with the terms thereof, and (iii) agrees to provide the consulting services described in Section 14(f) below, then in consideration for such covenants and consulting services, the Company shall pay the Executive, in one (1) cash lump sum, an amount (the "Consulting Payment") in cash equal to the sum of (X) the Executive's Annual Base Salary as in effect on the Date of Termination, plus (Y) the greater of the Executive's Average Annual Bonus or the Executive's Target Bonus on the Date of Termination. Except as provided in this Section 14(e), the Consulting Payment shall be paid on such date as is determined by the Company within the ten (10) day period commencing on the sixtieth (60th) day after the date of the Executive's Involuntary Termination; *provided, however*, that if the Executive is a Specified Employee on the date of the Executive's Involuntary Termination, the Consulting Payment shall be paid as provided in Section 9 hereof to the extent required.

(f) Consulting. If the Executive agrees to the provisions of Section 14(e) above, then the Executive shall have the obligation to provide consulting services to the Company as an independent contractor, commencing on the Date of Termination and ending on the second (2nd) anniversary of the Date of Termination (the "Consulting Period"). The Executive shall hold himself available at reasonable times and on reasonable notice to render such consulting services as may be so assigned to him by the Board or the Company's then Chief Executive Officer; *provided, however*, that unless the parties otherwise agree, the consulting services rendered by the Executive during the Consulting Period shall not exceed twenty (20) hours each month; and, *provided, further*, that the consulting services rendered by the Executive during the Consulting Period shall in no event exceed twenty percent (20%) of the average level of services performed by the Executive for the Company over the thirty-six (36) month period immediately preceding the Executive's Separation from Service (or the full period of services to the Company, if the Executive has been providing services to the Company for less than thirty-



six (36) months). The Company agrees to use its best efforts during the Consulting Period to secure the benefit of the Executive's consulting services so as to minimize the interference with the Executive's other activities, including requiring the performance of consulting services at the Company's offices only when such services may not be reasonably performed off-site by the Executive.

**Section 15. Legal Fees.**

(a) Reimbursement of Legal Fees. Subject to Section 15(b), in the event of the Executive's Separation from Service either (i) prior to a Change in Control, or (ii) on or within two (2) years following a Change in Control, the Company shall reimburse the Executive for all legal fees and expenses (including but not limited to fees and expenses in connection with any arbitration) incurred by the Executive in disputing any issue arising under this Agreement relating to the Executive's Separation from Service or in seeking to obtain or enforce any benefit or right provided by this Agreement.

(b) Requirements for Reimbursement. The Company shall reimburse the Executive's legal fees and expenses pursuant to Section 15(a) above only to the extent the arbitrator or court determines the following: (i) the Executive disputed such issue, or sought to obtain or enforce such benefit or right, in good faith, (ii) the Executive had a reasonable basis for such claim, and (iii) in the case of Section 15(a)(i) above, the Executive is the prevailing party. In addition, the Company shall reimburse such legal fees and expenses, only if such legal fees and expenses are incurred during the twenty (20) year period beginning on the date of the Executive's Separation from Service. The legal fees and expenses paid to the Executive for any taxable year of the Executive shall not affect the legal fees and expenses paid to the Executive for any other taxable year of the Executive. The legal fees and expenses shall be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the fees or expenses are determined to be payable pursuant to this Agreement. The Executive's right to reimbursement of legal fees and expenses shall not be subject to liquidation or exchange for any other benefit. Such right to reimbursement of legal fees and expenses shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv).

**Section 16. Successors.**

(a) Assignment by the Executive. This Agreement is personal to the Executive and without the prior written consent of Sempra Energy shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) Successors and Assigns of Sempra Energy. This Agreement shall inure to the benefit of and be binding upon Sempra Energy and its successors and assigns. Sempra Energy may not assign this Agreement to any person or entity (except for a successor described in Section 16(c), (d) or (e) below) without the Executive's written consent.

(c) Assumption. Sempra Energy shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Sempra Energy to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities of this Agreement in the same manner and to the same extent that Sempra Energy would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement if no such succession had taken place, and Sempra Energy shall have no further obligations and liabilities under this Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to such successor.

(d) Sale of Subsidiary. In the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy that is a member of the Sempra Energy Control Group, (ii) Sempra Energy, directly or indirectly through one or more intermediaries, sells or otherwise disposes of such subsidiary, and (iii) such subsidiary ceases to be a member of the Sempra Energy Control Group, then if, on the date such subsidiary ceases to be a member of the Sempra Energy Control Group, the Executive continues in employment with such subsidiary and the Executive does not have a Separation from Service, Sempra Energy shall require such subsidiary or any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to such subsidiary, or the parent thereof, to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities under this Agreement in the same manner and to the same extent that Sempra Energy would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement, if such subsidiary had not ceased to be part of the Sempra Energy Control Group, and, upon such assumption, Sempra Energy shall have no further obligations and liabilities under the Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to such subsidiary, or such successor or parent thereof, assuming this Agreement, and subsection (b) of the definition of “Cause” and subsection (b) of the definition of “Good Reason” shall apply thereafter, as if a Change in Control had occurred on the date of such cessation.

(e) Sale of Assets of Subsidiary. In the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy, and (ii) such subsidiary sells or otherwise disposes of substantial assets of such subsidiary to an unrelated service recipient, as determined under Treasury Regulation Section 1.409A-1(f)(2)(ii) (the “Asset Purchaser”), in a transaction described in Treasury Regulation Section 1.409A-1(h)(4) (an “Asset Sale”), then if, on the date of such Asset Sale, the Executive becomes employed by the Asset Purchaser, Sempra Energy and the Asset Purchaser may specify, in accordance with Treasury Regulation Section 1.409A-1(h)(4), that the Executive shall not be treated as having a Separation from Service, and in such event, Sempra Energy may require such Asset Purchaser, or the parent thereof, to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities under this Agreement in the same manner and to the same extent that the Company would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement, if the Asset Sale had not taken place, and, upon such assumption, Sempra Energy shall have no further obligations and liabilities under the Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to the Asset Purchaser or the parent thereof, as applicable, and subsection (b) of the definition of “Cause” and subsection (b) of the definition of “Good Reason” shall apply thereafter, as if a Change in Control had occurred on the date of the Asset Sale.

**Section 17.** Administration Prior to Change in Control. Prior to a Change in Control, the Compensation Committee shall have full and complete authority to construe and interpret the provisions of this Agreement, to determine an individual’s entitlement to benefits under this Agreement, to make in its sole and absolute discretion all determinations contemplated under this Agreement, to investigate and make factual determinations necessary or advisable to administer or implement this Agreement, and to adopt such rules and procedures as it deems necessary or advisable for the administration or implementation of this Agreement. All determinations made under this Agreement by the Compensation Committee shall be final, conclusive and binding on all interested persons. Prior to a Change in Control, the Compensation Committee may delegate responsibilities for the operation and administration of this Agreement to one or more officers or employees of the Company. The provisions of this Section 17 shall terminate and be of no further force and effect upon the occurrence of a Change in Control.

**Section 18.** Compliance with Section 409A of the Code. All payments and benefits payable under this Agreement (including, without limitation, the Section 409A

Payments) are intended to comply with the requirements of Section 409A of the Code. Certain payments and benefits payable under this Agreement are intended to be exempt from the requirements of Section 409A of the Code. This Agreement shall be interpreted in accordance with the applicable requirements of, and exemptions from, Section 409A of the Code and the Treasury Regulations thereunder. To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Section 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder. If the Company and the Executive determine that any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Section 409A(a)(2), (3) and (4) of the Code do not comply with Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, to the extent permitted under Section 409A of the Code, the Treasury Regulations thereunder and any applicable authority issued by the Internal Revenue Service, the Company and the Executive agree to amend this Agreement, or take such other actions as the Company and the Executive deem reasonably necessary or appropriate, to cause such compensation, benefits and other payments to comply with the requirements of Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, while providing compensation, benefits and other payments that are, in the aggregate, no less favorable than the compensation, benefits and other payments provided under this Agreement. In the case of any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Section 409A(a)(2), (3) and (4) of the Code, if any provision of the Agreement would cause such compensation, benefits or other payments to fail to so comply, such provision shall not be effective and shall be null and void with respect to such compensation, benefits or other payments to the extent such provision would cause a failure to comply, and such provision shall otherwise remain in full force and effect.

**Section 19. Miscellaneous.**

(a) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to its principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Except as provided herein, the Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the parties hereto. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of Sempra Energy to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) **Notices.** All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by a reputable overnight carrier or by registered or certified mail, return receipt requested, postage prepaid, addressed, in either case, to the Company's headquarters or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) **Severability.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) **Taxes.** The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) No Waiver. The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 1 hereof, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 1 hereof shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) Entire Agreement; Exclusive Benefit; Supersession of Prior Agreement. This Agreement contains the entire agreement of the Executive, the Company or any predecessor or subsidiary thereof with respect to any severance or termination pay. The Pre-Change in Control Severance Payment, the Post-Change in Control Severance Payment and all other benefits provided hereunder shall be in lieu of any other severance payments to which the Executive is entitled under any other severance plan or program or arrangement sponsored by the Company, as well as pursuant to any individual employment or severance agreement that was entered into by the Executive and the Company, and, upon the Effective Date of this Agreement, all such plans, programs, arrangements and agreements are hereby automatically superseded and terminated.

(g) No Right of Employment. Nothing in this Agreement shall be construed as giving the Executive any right to be retained in the employ of the Company or shall interfere in any way with the right of the Company to terminate the Executive's employment at any time, with or without Cause.

(h) Unfunded Obligation. The obligations under this Agreement shall be unfunded. Benefits payable under this Agreement shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under this Agreement.

(i) Termination upon Sale of Assets of Subsidiary. Notwithstanding anything contained herein, this Agreement shall automatically terminate and be of no further force and effect and no benefits shall be payable hereunder in the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy, (ii) an Asset Sale (as defined in Section 16(e)) occurs (other than such a sale or disposition which is part of a transaction or series of transactions which would result in a Change in Control), and (iii) as a result of such Asset Sale, the Executive is offered employment by the Asset Purchaser in an executive position with reasonably comparable status, compensation, benefits and severance agreement (including the assumption of this Agreement in accordance with Section 16(e)) and which is consistent with the Executive's experience and education, but the Executive declines to accept such offer and the Executive fails to become employed by the Asset Purchaser on the date of the Asset Sale.

(j) Term. The term of this Agreement shall commence on the Effective Date and shall continue until the third (3rd) anniversary of the Effective Date; *provided, however*, that commencing on the second (2nd) anniversary of the Effective Date (and each anniversary of the Effective Date thereafter), the term of this Agreement shall automatically be extended for one (1) additional year, unless at least ninety (90) days prior to such date, the Company or the Executive shall give written notice to the other party that it or he, as the case may be, does not wish to so extend this Agreement. Notwithstanding the foregoing, if the Company gives such written notice to the Executive (i) at a time when Sempra Energy is a party to an agreement that, if consummated, would constitute a Change in Control or (ii) less than two (2) years after a Change in Control, the term of this Agreement shall be automatically extended until the later of (X) the date that is one (1) year after the anniversary of the Effective Date that follows such written notice or (Y) the second (2nd) anniversary of the Change in Control Date.

(k) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

*[remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, Sempra Energy have caused this Agreement to be executed as of the day and year first above written.

SEMPRA ENERGY

/s/ Karen Sedgwick

\_\_\_\_\_  
Karen Sedgwick  
Chief Administrative Officer and Chief Human Resources Officer

August 1, 2022

\_\_\_\_\_  
Date

EXECUTIVE

/s/ David J. Barrett

\_\_\_\_\_  
David J. Barrett  
Senior Vice President and General Counsel  
Southern California Gas Company

August 1, 2022

\_\_\_\_\_  
Date

**GENERAL RELEASE**

This GENERAL RELEASE (the "Agreement"), dated \_\_\_\_\_, is made by and between \_\_\_\_\_, a California corporation (the "Company") and \_\_\_\_\_ ("you" or "your").

WHEREAS, you and the Company have previously entered into that certain Severance Pay Agreement dated \_\_\_\_\_, 20\_\_ (the "Severance Pay Agreement"); and

WHEREAS, your right to receive certain severance pay and benefits pursuant to the terms of Section 4 or 5 of the Severance Pay Agreement, as applicable, is subject to and conditioned upon your execution and non-revocation of a general release of claims by you against the Company and its subsidiaries and affiliates.

WHEREAS, your right to receive the Consulting Payment provided pursuant to Section 14(e) of the Severance Pay Agreement is subject to and conditioned upon your execution and non-revocation of a general release of claims by you against the Company and its subsidiaries and affiliates; and your adherence to the covenants described under Section 14 of the Severance Pay Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, you and the Company hereby agree as follows:

ONE: Your signing of this Agreement confirms that your employment with the Company shall terminate at the close of business on \_\_\_\_\_, or earlier upon our mutual agreement. This Agreement is not a condition of employment or continued employment or a condition of receiving a raise or a bonus.

TWO: As a material inducement for the payment of the severance and benefits of the Severance Pay Agreement, and except as otherwise provided in this Agreement, you and the Company hereby irrevocably and unconditionally release, acquit and forever discharge the other from any and all Claims either may have against the other. For purposes of this Agreement and the preceding sentence, the words "Releasee" or "Releasees" and "Claim" or "Claims" shall have the meanings set forth below:

(a) The words "Releasee" or "Releasees" shall refer to you and to the Company and each of the Company's owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, advisors, parent companies, divisions, subsidiaries, affiliates (and agents, directors, officers, employees, representatives, attorneys and advisors of such parent companies, divisions, subsidiaries and affiliates) and all persons acting by, through, under or in concert with any of them.

(b) The words "Claim" or "Claims" shall refer to any charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, which you or the Company now, in the past or, in the future may have, own or hold against any of the Releasees; *provided, however, that the word "Claim" or "Claims" shall not refer to any charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) arising under [identify severance, employee benefits, stock option, indemnification and D&O and other agreements containing*

*duties, rights obligations etc. of either party that are to remain operative*]. Claims released pursuant to this Agreement by you and the Company include, but are not limited to, rights arising out of alleged violations of any contracts, express or implied, any tort, claim, any claim that you failed to perform or negligently performed or breached your duties during employment at the Company, any legal restrictions on the Company's right to terminate employment relationships; and any federal, state or other governmental statute, regulation, or ordinance, governing the employment relationship including, without limitation, all state and federal laws and regulations prohibiting discrimination based on protected categories, and all state and federal laws and regulations prohibiting retaliation against employees for engaging in protected activity or legal off-duty conduct. This release does not extend to claims for workers' compensation or other claims which by law may not be waived or released by this Agreement.

THREE: You and the Company expressly waive and relinquish all rights and benefits afforded by any statute (including but not limited to Section 1542 of the Civil Code of the State of California and analogous laws of other states) which limits the effect of a release with respect to unknown claims. You and the Company do so understanding and acknowledging the significance of the release of unknown claims and the waiver of statutory protection against a release of unknown claims (including but not limited to Section 1542). Section 1542 of the Civil Code of the State of California states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Thus, notwithstanding the provisions of Section 1542 or of any similar statute, and for the purpose of implementing a full and complete release and discharge of the Releasees, you and the Company expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all Claims which are known and all Claims which you or the Company do not know or suspect to exist in your or the Company's favor at the time of execution of this Agreement and that this Agreement contemplates the extinguishment of all such Claims.

FOUR: The parties acknowledge that they might hereafter discover facts different from, or in addition to, those they now know or believe to be true with respect to a Claim or Claims released herein, and they expressly agree to assume the risk of possible discovery of additional or different facts, and agree that this Agreement shall be and remain effective, in all respects, regardless of such additional or different discovered facts.

FIVE: As a further material inducement to the Company to enter into this Agreement, you hereby agree to indemnify and hold each of the Releasees harmless from all loss, costs, damages, or expenses, including without limitation, attorneys' fees incurred by the Releasees, arising out of any breach of this Agreement by you or the fact that any representation made in this Agreement by you was false when made.

As a further material inducement to you to enter into this Agreement, the Company hereby agrees to indemnify and hold each of the Releasees harmless from all loss, costs, damages, or expenses, including without limitation, attorneys' fees incurred by the Releasees, arising out of any breach of this Agreement by it or the fact that any representation made in this Agreement by it was knowingly false when made.



SIX: You and the Company represent and acknowledge that in executing this Agreement, neither is relying upon any representation or statement not set forth in this Agreement or the Severance Agreement.

SEVEN:

(a) This Agreement shall not in any way be construed as an admission by the Company that it has acted wrongfully with respect to you or any other person, or that you have any rights whatsoever against the Company, and the Company specifically disclaims any liability to or wrongful acts against you or any other person, on the part of itself, its employees or its agents. This Agreement shall not in any way be construed as an admission by you that you have acted wrongfully with respect to the Company, or that you failed to perform your duties or negligently performed or breached your duties, or that the Company had good cause to terminate your employment.

(b) If you are a party or are threatened to be made a party to any proceeding by reason of the fact that you were an officer or director of the Company, the Company shall indemnify you against any expenses (including reasonable attorneys' fees; *provided*, that counsel has been approved by the Company prior to retention, which approval shall not be unreasonably withheld), judgments, fines, settlements and other amounts actually or reasonably incurred by you in connection with that proceeding; *provided, further*, that you acted in good faith and in a manner you reasonably believed to be in the best interest of the Company. The limitations of Section 317 of the Corporations Code of the State of California shall apply to this assurance of indemnification.

(c) You agree to cooperate with the Company and its designated attorneys, representatives and agents in connection with any actual or threatened judicial, administrative or other legal or equitable proceeding in which the Company is or may become involved. Upon reasonable notice, you agree to meet with and provide to the Company or its designated attorneys, representatives or agents all information and knowledge you have relating to the subject matter of any such proceeding. The Company agrees to reimburse you for any reasonable costs you incur in providing such cooperation.

EIGHT: This Agreement is entered into in California and shall be governed by substantive California law, except as provided in this section. If any dispute arises between you and the Company, including but not limited to, disputes relating to this Agreement, or if you prosecute a claim you purported to release by means of this Agreement ("Arbitrable Dispute"), you and the Company agree to resolve that Arbitrable Dispute through final and binding arbitration under this section. You also agree to arbitrate any Arbitrable Dispute which also involves any other released party who offers or agrees to arbitrate the dispute under this section. Your agreement to arbitrate applies, for example, to disputes about the validity, interpretation, or effect of this Agreement or alleged violations of it, claims of discrimination under federal or state law, or other statutory violation claims.

As to any Arbitrable Dispute, you and the Company waive any right to a jury trial or a court bench trial. You and the Company also waive the right to bring, maintain, or participate in any class, collective, or representative proceeding, whether in arbitration or otherwise. Further, Arbitrable Disputes must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis.

Arbitration shall take place in San Diego, California under the employment dispute resolution rules of the Judicial Arbitration and Mediation Service, (or, if you are employed outside of California at the time of the termination of your employment, at the nearest location of the American Arbitration Association ("AAA") and in accordance with the AAA

rules), before an experienced employment arbitrator selected in accordance with those rules. The arbitrator may not modify or change this Agreement in any way. The Company will be responsible for paying any filing fee and the fees and costs of the Arbitrator; provided, however, that if you are the party initiating the claim, you will contribute an amount equal to the filing fee to initiate a claim in the court of general jurisdiction in the state in which you are employed by the Company. Each party shall pay for its own costs and attorneys' fees, if any. However if any party prevails on a statutory claim which affords the prevailing party attorneys' fees and costs, or if there is a written agreement providing for attorneys' fees and/or costs, the Arbitrator may award reasonable attorney's fees and/or costs to the prevailing party, applying the same standards a court would apply under the law applicable to the claim. The Arbitrator shall apply the Federal Rules of Evidence and shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Federal Arbitration Act shall govern the arbitration and shall govern the interpretation or enforcement of this section or any arbitration award. The arbitrator will not have the authority to consider, certify, or hear an arbitration as a class action, collective action, or any other type of representative action.

To the extent that the Federal Arbitration Act is inapplicable, California law pertaining to arbitration agreements shall apply. Arbitration in this manner shall be the exclusive remedy for any Arbitrable Dispute. Except as prohibited by the Age Discrimination in Employment Act of 1967, as amended, should you or the Company attempt to resolve an Arbitrable Dispute by any method other than arbitration pursuant to this section, the responding party will be entitled to recover from the initiating party all damages, expenses, and attorneys' fees incurred as a result of this breach. This Section EIGHT supersedes any existing arbitration agreement between the Company and me as to any Arbitrable Dispute. Notwithstanding anything in this Section EIGHT to the contrary, a claim for benefits under an Employee Retirement Income Security Act of 1974, as amended, covered plan shall not be an Arbitrable Dispute.

NINE: Both you and the Company understand that this Agreement is final and binding eight (8) days after its execution and return. Should you nevertheless attempt to challenge the enforceability of this Agreement as provided in Section EIGHT or, in violation of that section, through litigation, as a further limitation on any right to make such a challenge, you shall initially tender to the Company, by certified check delivered to the Company, all monies received pursuant to Section 4 or 5 of the Severance Pay Agreement, as applicable, plus interest, and invite the Company to retain such monies and agree with you to cancel this Agreement and void the Company's obligations under the Severance Pay Agreement. In the event the Company accepts this offer, the Company shall retain such monies and this Agreement shall be canceled and the Company shall have no obligation under Section 14(e) of the Severance Pay Agreement. In the event the Company does not accept such offer, the Company shall so notify you and shall place such monies in an interest-bearing escrow account pending resolution of the dispute between you and the Company as to whether or not this Agreement and the Company's obligations under the Severance Pay Agreement shall be set aside and/or otherwise rendered voidable or unenforceable. Additionally, any consulting agreement then in effect between you and the Company shall be immediately rescinded with no requirement of notice.

TEN: Any notices required to be given under this Agreement shall be delivered either personally or by first class United States mail, postage prepaid, addressed to the respective parties as follows:

To Company: [TO COME]

Attn: [TO COME]

To You: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ELEVEN: You understand and acknowledge that you have been given a period of forty-five (45) days to review and consider this Agreement (as well as certain data on other persons eligible for similar benefits, if any) before signing it and may use as much of this forty-five (45) day period as you wish prior to signing. You are encouraged, at your personal expense, to consult with an attorney before signing this Agreement. You understand and acknowledge that whether or not you do so is your decision. You may revoke this Agreement within seven (7) days of signing it. If you wish to revoke, the Company's Vice President, Human Resources must receive written notice from you no later than the close of business on the seventh (7th) day after you have signed the Agreement. If revoked, this Agreement shall not be effective and enforceable, and you will not receive payments or benefits under Section 4 or 5 of the Severance Pay Agreement, as applicable.

TWELVE: This Agreement constitutes the entire agreement of the parties hereto and supersedes any and all other agreements (except the Severance Pay Agreement) with respect to the subject matter of this Agreement, whether written or oral, between you and the Company. All modifications and amendments to this Agreement must be in writing and signed by the parties.

THIRTEEN: Each party agrees, without further consideration, to sign or cause to be signed, and to deliver to the other party, any other documents and to take any other action as may be necessary to fulfill the obligations under this Agreement.

FOURTEEN: If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or application; and to this end the provisions of this Agreement are declared to be severable.

FIFTEEN: This Agreement may be executed in counterparts.

I have read the foregoing General Release, and I accept and agree to the provisions it contains and hereby execute it voluntarily and with full understanding of its consequences. I am aware it includes a release of all known or unknown claims.

DATED: \_\_\_\_\_

\_\_\_\_\_

DATED: \_\_\_\_\_

\_\_\_\_\_

You acknowledge that you first received this Agreement on [date].

\_\_\_\_\_

**SEMPRA ENERGY  
SEVERANCE PAY AGREEMENT**

**THIS AGREEMENT** (this “Agreement”), dated as of July 23, 2022 (the “Effective Date”), is made by and between SEMPra ENERGY, a California corporation (“Sempra Energy”), and Mia DeMontigny (the “Executive”).

**WHEREAS**, the Executive is currently employed by Sempra Energy or another corporation or trade or business which is a member of a controlled group of corporations (within the meaning of Section 414(b) or (c) of the Code) of which Sempra Energy is a component member, determined by applying an ownership threshold of 50% rather than 80% (Sempra Energy and such other controlled group members, collectively, the “Company”);

**WHEREAS**, Sempra Energy and the Executive desire to enter into this Agreement; and

**WHEREAS**, the Board of Directors of Sempra Energy (the “Board”) or an authorized committee thereof has authorized this Agreement.

**NOW, THEREFORE**, in consideration of the premises and mutual covenants herein contained, Sempra Energy and the Executive hereby agree as follows:

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

“AAA” has the meaning assigned thereto in Section 13(c) hereof.

“Accounting Firm” has the meaning assigned thereto in Section 8(e) hereof.

“Accrued Obligations” means the sum of (a) the Executive’s Annual Base Salary through the Date of Termination to the extent not theretofore paid, (b) an amount equal to any annual Incentive Compensation Awards earned with respect to fiscal years ended prior to the year that includes the Date of Termination to the extent not theretofore paid, (c) any accrued and unpaid vacation, and (d) reimbursement for unreimbursed business expenses, if any, properly incurred by the Executive in the performance of his duties in accordance with Company policies applicable to the Executive from time to time, in each case to the extent not theretofore paid.

“Affiliate” has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act.

“Annual Base Salary” means the Executive’s annual base salary from the Company.

“Asset Purchaser” has the meaning assigned thereto in Section 16(e).

“Asset Sale” has the meaning assigned thereto in Section 16(e).

“Average Annual Bonus” means the average of the annual bonuses from the Company earned by the Executive with respect to the three (3) fiscal years of Sempra Energy ending immediately preceding the Date of Termination (the “Bonus Fiscal Years”); *provided, however*, that, if the Executive was employed by the Company for less than three (3) Bonus Fiscal Years, “Average Annual Bonus” means the average of the annual bonuses (if any) from the Company earned by the Executive with respect to the Bonus Fiscal Years during which the Executive was employed by the Company; and, *provided, further*, that, if the Executive was not

employed by the Company during any of the Bonus Fiscal Years, “Average Annual Bonus” means zero (\$0).

“Cause” means:

(a) Prior to a Change in Control, (i) the willful failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness), (ii) the grossly negligent performance of such obligations referenced in clause (i) of this definition, (iii) the Executive’s gross insubordination; and/or (iv) the Executive’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this subsection (a), no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interests of the Company.

(b) From and after a Change in Control (or in connection with a termination occurring pursuant to Section 5(f)), (i) the willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness or other than any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 2 hereof and after the Company’s cure period relating to the event on which Good Reason is based, if any and if applicable, has expired) and/or (ii) the Executive’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of clause (i) of this subsection (b), no act, or failure to act, on the Executive’s part shall be deemed “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive’s act, or failure to act, was in the best interests of the Company. Notwithstanding the foregoing, the Executive shall not be deemed terminated for Cause pursuant to clause (i) of this subsection (b) unless and until the Executive shall have been provided with reasonable notice of and, if possible, a reasonable opportunity to cure the facts and circumstances claimed to provide a basis for termination of the Executive’s employment for Cause.

“Change in Control” shall be deemed to have occurred on the date that a change in the ownership of Sempra Energy, a change in the effective control of Sempra Energy, or a change in the ownership of a substantial portion of assets of Sempra Energy occurs (each, as defined in subsection (a) below), except as otherwise provided in subsections (b), (c) and (d) below:

(a) (i) a “change in the ownership of Sempra Energy” occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of Sempra Energy that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of Sempra Energy,

(ii) a “change in the effective control of Sempra Energy” occurs only on either of the following dates:

(A) the date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of Sempra Energy

possessing thirty percent (30%) or more of the total voting power of the stock of Sempra Energy, or

(B) the date a majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of appointment or election, and

(iii) a “change in the ownership of a substantial portion of assets of Sempra Energy” occurs on the date any one person, or more than one person acting as a group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from Sempra Energy that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of Sempra Energy immediately before such acquisition or acquisitions.

(b) A “change in the ownership of Sempra Energy” or “a change in the effective control of Sempra Energy” shall not occur under clause (a)(i) or (ii) by reason of any of the following:

(i) an acquisition of ownership of stock of Sempra Energy directly from Sempra Energy or its Affiliates other than in connection with the acquisition by Sempra Energy or its Affiliates of a business,

(ii) a merger or consolidation which would result in the voting securities of Sempra Energy outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least sixty percent (60%) of the combined voting power of the securities of Sempra Energy or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or

(iii) a merger or consolidation effected to implement a recapitalization of Sempra Energy (or similar transaction) in which no Person is or becomes the “beneficial owner” (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of Sempra Energy (not including the securities beneficially owned by such Person any securities acquired directly from Sempra Energy or its Affiliates other than in connection with the acquisition by Sempra Energy or its Affiliates of a business) representing twenty percent (20%) or more of the combined voting power of Sempra Energy’s then outstanding securities.

(c) A “change in the ownership of a substantial portion of assets of Sempra Energy” shall not occur under clause (a)(iii) by reason of a sale or disposition by Sempra Energy of the assets of Sempra Energy to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by shareholders of Sempra Energy in substantially the same proportions as their ownership of Sempra Energy immediately prior to such sale.

(d) This definition of “Change in Control” shall be limited to the definition of a “change in control event” with respect to the Executive and relating to Sempra Energy under Treasury Regulation Section 1.409A-3(i)(5).

“Change in Control Date” means the date on which a Change in Control occurs.

“Code” means the Internal Revenue Code of 1986, as amended.

“Compensation Committee” means the compensation committee of the Board.

“Consulting Payment” has the meaning assigned thereto in Section 14(e) hereof.

“Consulting Period” has the meaning assigned thereto in Section 14(f) hereof.

“Date of Termination” has the meaning assigned thereto in Section 2(b) hereof.

“Disability” has the meaning set forth in the long-term disability plan or its successor maintained by the Company entity that is the employer of the Executive; *provided, however*, that the Executive’s employment hereunder may not be terminated by reason of Disability unless (a) at the time of such termination there is no reasonable expectation that the Executive will return to work within the next ninety (90) day period and (b) such termination is permitted by all applicable disability laws.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the applicable rulings and regulations thereunder.

“Excise Tax” has the meaning assigned thereto in Section 8(a) hereof.

“Good Reason” means:

(a) Prior to a Change in Control, the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected by the Company prior to the Date of Termination specified in the Notice of Termination (as required under Section 2 hereof):

(i) the assignment to the Executive of any duties materially inconsistent with the range of duties and responsibilities appropriate to a senior executive within the Company (such range determined by reference to past, current and reasonable practices within the Company);

(ii) a material reduction in the Executive’s overall standing and responsibilities within the Company, but not including (A) a mere change in title or (B) a transfer within the Company, which, in the case of both (A) and (B), does not adversely affect the Executive’s overall status within the Company;

(iii) a material reduction by the Company in the Executive’s aggregate annualized compensation and benefits opportunities, except for across-the-board reductions (or modifications of benefit plans) similarly affecting all similarly situated executives of the Company of comparable rank with the Executive;

(iv) the failure by the Company to pay to the Executive any portion of the Executive’s current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive’s employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof;

(vi) the failure by Sempra Energy to perform its obligations under Section 16(c) or (d) hereof;

(vii) the failure by the Company to provide the indemnification and D&O insurance protection Section 10 of this Agreement requires it to provide; or

(viii) the failure by Sempra Energy (or any of the entities comprising the Company, as applicable) to comply with any material provision of this Agreement.

(b) From and after a Change in Control (or in connection with a termination occurring pursuant to Section 5(f)), the occurrence of any of the following without the prior written consent of the Executive, unless such act or failure to act is corrected by the Company prior to the Date of Termination specified in the Notice of Termination (as required under Section 2 hereof):

(i) an adverse change in the Executive's title, authority, duties, responsibilities or reporting lines as in effect immediately prior to the Change in Control;

(ii) a reduction by the Company in the Executive's aggregate annualized compensation opportunities, except for across-the-board reductions in base salaries, annual bonus opportunities or long-term incentive compensation opportunities of less than ten percent (10%) similarly affecting all similarly situated executives (including, if applicable, of the Person then in control of Sempra Energy) of comparable rank with the Executive; or the failure by the Company to continue in effect any material benefit plan in which the Executive participates immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control;

(iii) the relocation of the Executive's principal place of employment immediately prior to the Change in Control Date (the "Principal Location") to a location which is both further away from the Executive's residence and more than thirty (30) miles from such Principal Location, or the Company's requiring the Executive to be based anywhere other than such Principal Location (or permitted relocation thereof), or a substantial increase in the Executive's business travel obligations outside of the Southern California area as of immediately prior to the Change in Control (without regard to any changes therein in anticipation of the Change in Control) other than any such increase that (A) arises in connection with extraordinary business activities of the Company of limited duration and (B) is understood not to be part of the Executive's regular duties with the Company;

(iv) the failure by the Company to pay to the Executive any portion of the Executive's current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(v) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2 hereof;

(vi) the failure by Sempra Energy to perform its obligations under Section 16(c) or (d) hereof;

(vii) the failure by the Company to provide the indemnification and D&O insurance protection Section 10 of this Agreement requires it to provide; or



(viii) the failure by Sempra Energy (or any of the entities comprising the Company, as applicable) to comply with any material provision of this Agreement.

Following a Change in Control, the Executive's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is deemed to be unreasonable by an arbitrator pursuant to the procedure described in Section 13 hereof. The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

"Incentive Compensation Awards" means awards granted under Incentive Compensation Plans providing the Executive with the opportunity to earn, on a year-by-year basis, annual and long-term incentive compensation.

"Incentive Compensation Plans" means annual incentive compensation plans and long-term incentive compensation plans of the Company, which long-term incentive compensation plans may include plans offering stock options, restricted stock and other long-term incentive compensation.

"Involuntary Termination" means (a) the Executive's Separation from Service by reason other than for Cause, death, Disability, or Mandatory Retirement, or (b) the Executive's Separation from Service by reason of resignation of employment for Good Reason.

"JAMS" has the meaning assigned thereto in Section 13(c) hereof.

"Mandatory Retirement" means termination of employment pursuant to the Company's mandatory retirement policy.

"Medical Continuation Benefits" has the meaning assigned thereto in Section 4(c) hereof.

"Notice of Termination" has the meaning assigned thereto in Section 2(a) hereof.

"Payment" has the meaning assigned thereto in Section 8(a) hereof.

"Payment in Lieu of Notice" has the meaning assigned thereto in Section 2(b) hereof.

"Person" means any person, entity or "group" within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, except that such term shall not include (a) Sempra Energy or any of its Affiliates, (b) a trustee or other fiduciary holding securities under an employee benefit plan of Sempra Energy or any of its Affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, (d) a corporation owned, directly or indirectly, by the shareholders of Sempra Energy in substantially the same proportions as their ownership of stock of Sempra Energy, or (e) a "person" or "group" as used in Rule 13d-1(b) under the Exchange Act.

"Post-Change in Control Severance Payment" has the meaning assigned thereto in Section 5 hereof.

"Pre-Change in Control Severance Payment" has the meaning assigned thereto in Section 4 hereof.

“Principal Location” has the meaning assigned thereto in clause (b)(iii) of the definition of Good Reason, above.

“Proprietary Information” has the meaning assigned thereto in Section 14(a) hereof.

“Pro Rata Bonus” means a severance amount equal to the greater of (a) the Executive's Target Bonus as in effect immediately prior to the Change in Control or on the Date of Termination, whichever is greater, or (b) the Executive's Average Annual Bonus, multiplied by a fraction, (X) the numerator of which shall be the number of days from the beginning of such fiscal year to and including the Date of Termination and (Y) the denominator of which shall be three hundred sixty-five (365).

“Release” has the meaning assigned thereto in Section 4 hereof. The Release is not a condition of employment or continued employment or a condition of receiving a raise or a bonus.

“Section 409A Payments” means any payments under this Agreement which are subject to Section 409A of the Code.

“Sempra Energy Control Group” means Sempra Energy and all persons with whom Sempra Energy would be considered a single employer under Section 414(b) or (c) of the Code, as determined from time to time.

“Separation from Service” has the meaning set forth in Treasury Regulation Section 1.409A-1(h).

“Specified Employee” shall be determined in accordance with Section 409A(a)(2)(B)(i) of the Code and Treasury Regulation Section 1.409A-1(i).

“Target Bonus” means, for any year, the target annual bonus from the Company that may be earned by the Executive for such year (regardless of the actual annual bonus earned, if any); *provided, however*, that if, as of the Date of Termination, a target annual bonus has not been established for the Executive for the year in which the Date of Termination occurs, the “Target Bonus” as of the Date of Termination shall be equal to the target annual bonus, if any, for the immediately preceding fiscal year of Sempra Energy.

For purposes of this Agreement, references to any “Treasury Regulation” shall mean such Treasury Regulation as in effect on the date hereof.

**Section 2. Notice and Date of Termination.** Any termination of the Executive’s employment by the Company or by the Executive shall be communicated by a written notice of termination to the other party (the “Notice of Termination”). Where applicable, the Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated. Unless the Board or a committee thereof, in writing, provides a longer notice period, a Notice of Termination by the Executive alleging a termination for Good Reason must be made within one hundred eighty (180) days of the act or failure to act that the Executive alleges to constitute Good Reason.

(b) The date of the Executive’s termination of employment with the Company (the “Date of Termination”) shall be determined as follows: (i) if the Executive’s Separation from Service is at the volition of the Company, then the Date of Termination shall be the date

specified in the Notice of Termination (which, in the case of a termination by the Company other than for Cause, shall not be less than two (2) weeks from the date such Notice of Termination is given unless the Company elects to pay the Executive, in addition to any other amounts payable hereunder, an amount (the “Payment in Lieu of Notice”) equal to two (2) weeks of the Executive’s Annual Base Salary in effect on the Date of Termination), and (ii) if the Executive’s Separation from Service is by the Executive for Good Reason, the Date of Termination shall be determined by the Executive and specified in the Notice of Termination, but in no event be less than fifteen (15) days nor more than sixty (60) days after the date such Notice of Termination is given. The Payment in Lieu of Notice shall be paid on such date as is required by law, but no later than thirty (30) days after the date of the Executive’s Separation from Service.

**Section 3. Termination from the Board.** Upon the termination of the Executive’s employment for any reason, the Executive’s membership on the Board, the board of directors of any Affiliates of Sempra Energy, any committees of the Board and any committees of the board of directors of any of the Affiliates of Sempra Energy, if applicable, shall be automatically terminated and the Executive agrees to take any and all actions (including resigning) required by Sempra Energy or any of its Affiliates to evidence and effect such termination of membership.

**Section 4. Severance Benefits upon Involuntary Termination Prior to Change in Control.** Except as provided in Sections 5(f) and 19(i) hereof, in the event of the Involuntary Termination of the Executive prior to a Change in Control, Sempra Energy shall, or shall cause one of its Affiliates that is the employer of the Executive to, pay the Executive, in one lump sum cash payment, an amount (the “Pre-Change in Control Severance Payment”) equal to one-half (0.5) times the sum of (X) the Executive’s Annual Base Salary as in effect on the Date of Termination plus (Y) an amount equal to the greater of (I) his Average Annual Bonus or (II) the Target Bonus in effect on the Date of Termination. In addition to the Pre-Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits specified in Section 4(a) through (e). The Company’s obligation to pay the Pre-Change in Control Severance Payment or provide the benefits set forth in Section 4(c), (d) and (e) is subject to and conditioned upon the Executive executing a release of all claims substantially in the form attached hereto as Exhibit A (the “Release”) within fifty (50) days after the date of Involuntary Termination and the Executive not revoking such Release in accordance with the terms thereof. The Pre-Change in Control Severance Payment shall be paid within sixty (60) days after the date of the Involuntary Termination on such date as is determined by Sempra Energy, but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one taxable year, then the Pre-Change in Control Severance Payment shall not be made until the later taxable year.

(a) **Accrued Obligations.** The Company shall pay the Executive a lump sum amount in cash equal to Accrued Obligations within the time prescribed by law.

(b) **Equity-Based Compensation.** The Executive shall retain all rights to any equity-based compensation awards to the extent set forth in the applicable plan and/or award agreement.

(c) **Welfare Benefits.** Subject to the terms and conditions of this Agreement, for a period of six (6) months following the date of the Involuntary Termination (and an additional twelve (12) months if the Executive provides consulting services under Section 14(f) hereof), the Executive and his dependents shall be provided with group medical benefits which are substantially similar to those provided from time to time to similarly situated active employees of the Company (and their eligible dependents) (“Medical Continuation Benefits”). Without limiting the generality of the foregoing, such Medical Continuation Benefits shall be provided on substantially the same terms and conditions and at the same cost to the Executive as

apply to similarly situated active employees of the Company. Such benefits shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(a)(5). Notwithstanding the foregoing, if Sempra Energy determines in its sole discretion that the Medical Continuation Benefits cannot be provided without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or that the provision of Medical Continuation Benefits under this Agreement would subject Sempra Energy or any of its Affiliates to a material tax or penalty, (i) the Executive shall be provided, in lieu thereof, with a taxable monthly payment in an amount equal to the monthly premium that the Executive would be required to pay to continue the Executive's and his covered dependents' group medical benefit coverages under COBRA as then in effect (which amount shall be based on the premiums for the first month of COBRA coverage) or (ii) Sempra Energy shall have the authority to amend the Agreement to the limited extent reasonably necessary to avoid such violation of law or tax or penalty and shall use all reasonable efforts to provide the Executive with a comparable benefit that does not violate applicable law or subject Sempra Energy or any of its Affiliates to such tax or penalty.

(d) Outplacement Services. The Executive shall receive reasonable outplacement services, on an in-kind basis, suitable to his position and directly related to the Executive's Involuntary Termination, for a period of eighteen (18) months following the date of the Involuntary Termination, in an aggregate amount of cost to the Company not to exceed \$50,000. Notwithstanding the foregoing, the Executive shall cease to receive outplacement services on the date the Executive accepts employment with a subsequent employer. Such outplacement services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b)(9)(v)(A).

(e) Financial Planning Services. The Executive shall receive financial planning services, on an in-kind basis, for a period of eighteen (18) months following the Date of Termination. Such financial planning services shall include expert financial and legal resources to assist the Executive with financial planning needs and shall be limited to (i) current investment portfolio management, (ii) tax planning, (iii) tax return preparation, and (iv) estate planning advice and document preparation (including wills and trusts); *provided, however*, that the Company shall provide such financial planning services during any taxable year of the Executive only to the extent the cost to the Company for such taxable year does not exceed \$25,000. The Company shall provide such financial planning services through a financial planner selected by the Company, and shall pay the fees for such financial planning services. The financial planning services provided during any taxable year of the Executive shall not affect the financial planning services provided in any other taxable year of the Executive. The Executive's right to financial planning services shall not be subject to liquidation or exchange for any other benefit. Such financial planning services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv).

**Section 5.** Severance Benefits upon Involuntary Termination in Connection with and after Change in Control. Notwithstanding the provisions of Section 4 above, and except as provided in Section 19(i) hereof, in the event of the Involuntary Termination of the Executive on or within two (2) years following a Change in Control, in lieu of the payments described in Section 4 above, Sempra Energy shall, or shall cause one of its Affiliates that is the employer of the Executive to, pay the Executive, in one lump sum cash payment, an amount (the "Post-Change in Control Severance Payment") equal to (a) the Pro Rata Bonus plus (b) the sum of (X) the Executive's Annual Base Salary as in effect immediately prior to the Change in Control or on the Date of Termination, whichever is greater, plus (Y) an amount equal to the greater of (I) the Executive's Target Bonus determined immediately prior to the Change in Control or the Date of Termination, whichever is greater and (II) the Executive's Average Annual Bonus; *provided, however*, that, in the event that the Involuntary Termination occurs prior to June 15, 2024, the Post-Change in Control Severance Payment shall be increased by twenty-five percent (25%). In

addition to the Post-Change in Control Severance Payment, the Executive shall be entitled to the following additional benefits specified in Section 5(a) through (e). The Company's obligation to pay the Post-Change in Control Severance Payment or provide the benefits set forth in Section 5(b), (c), (d), and (e) is subject to and conditioned upon the Executive executing the Release within fifty (50) days after the date of Involuntary Termination and the Executive not revoking such Release in accordance with the terms thereof. Except as provided in Section 5(f), the Post-Change in Control Severance Payment shall be paid within sixty (60) days after the date of Involuntary Termination on such date as is determined by Sempra Energy (or its successor) but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one (1) taxable year, then the Post-Change in Control Severance Payment shall not be made until the later taxable year.

(a) Accrued Obligations. The Company shall pay the Executive a lump sum amount in cash equal to the Accrued Obligations within the time required by law and, to the extent applicable, in accordance with the applicable plan, policy or arrangement pursuant to which such payments are to be made.

(b) Equity-Based Compensation. Notwithstanding the provisions of any applicable equity-based compensation plan or award agreement to the contrary, all equity-based Incentive Compensation Awards (including, without limitation, stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance share awards, awards covered under Section 162(m) of the Code, and dividend equivalents) held by the Executive shall immediately vest and become exercisable or payable, as the case may be, as of the Date of Termination, to be exercised or paid, as the case may be, in accordance with the terms of the applicable Incentive Compensation Plan and Incentive Compensation Award agreement, and any restrictions on any such Incentive Compensation Awards shall automatically lapse; *provided, however*, that, in the case of any stock option or stock appreciation rights awards granted on or after June 26, 1998 that remain outstanding on the Date of Termination, such stock options or stock appreciation rights shall remain exercisable until the earlier of (i) the later of eighteen (18) months following the Date of Termination or the period specified in the applicable Incentive Compensation Award agreement or (ii) the expiration of the original term of such Incentive Compensation Award (or, if earlier, the tenth (10th) anniversary of the original date of grant) (it being understood that all Incentive Compensation Awards granted prior to, on or after June 26, 1998 shall remain outstanding and exercisable for a period that is no less than that provided for in the applicable agreement in effect as of the date of grant).

(c) Welfare Benefits. Subject to the terms and conditions of this Agreement, for a period of twelve (12) months following the date of Involuntary Termination (and an additional twelve (12) months if the Executive provides consulting services under Section 14(f) hereof), the Executive and his dependents shall be provided with life, disability, accident and group medical benefits which are substantially similar to those provided to the Executive and his dependents immediately prior to the date of Involuntary Termination or the Change in Control Date, whichever is more favorable to the Executive. Without limiting the generality of the foregoing, the continuing benefits described in the preceding sentence shall be provided on substantially the same terms and conditions and at the same cost to the Executive as in effect immediately prior to the date of Involuntary Termination or the Change in Control Date, whichever is more favorable to the Executive. Such benefits shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(a)(5). Notwithstanding the foregoing, if Sempra Energy determines in its sole discretion that the portion of the foregoing continuing benefits that constitute group medical benefits cannot be provided without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or that the provision of such group medical benefits under this Agreement would subject Sempra Energy or any of its Affiliates to a material tax or penalty, (i) the Executive shall be provided, in lieu thereof, with a taxable monthly payment in an amount equal to the monthly premium that the

Executive would be required to pay to continue the Executive's and his covered dependents' group medical benefit coverages under COBRA as then in effect (which amount shall be based on the premiums for the first month of COBRA coverage) or (ii) Sempra Energy shall have the authority to amend the Agreement to the limited extent reasonably necessary to avoid such violation of law or tax or penalty and shall use all reasonable efforts to provide the Executive with a comparable benefit that does not violate applicable law or subject Sempra Energy or any of its Affiliates to such tax or penalty.

(d) Outplacement Services. The Executive shall receive reasonable outplacement services, on an in-kind basis, suitable to his position and directly related to the Executive's Involuntary Termination, for a period of twenty-four (24) months following the date of Involuntary Termination (but in no event beyond the last day of the Executive's second (2nd) taxable year following the Executive's taxable year in which the Involuntary Termination occurs), in the aggregate amount of cost to the Company not to exceed \$50,000. Notwithstanding the foregoing, the Executive shall cease to receive outplacement services on the date the Executive accepts employment with a subsequent employer. Such outplacement services shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b)(9)(v)(A).

(e) Financial Planning Services. The Executive shall receive financial planning services, on an in-kind basis, for a period of twenty-four (24) months following the date of Involuntary Termination. Such financial planning services shall include expert financial and legal resources to assist the Executive with financial planning needs and shall be limited to (i) current investment portfolio management, (ii) tax planning, (iii) tax return preparation, and (iv) estate planning advice and document preparation (including wills and trusts); *provided, however*, that the Company shall provide such financial services during any taxable year of the Executive only to the extent the cost to the Company for such taxable year does not exceed \$25,000. The Company shall provide such financial planning services through a financial planner selected by the Company, and shall pay the fees for such financial planning services. The financial planning services provided during any taxable year of the Executive shall not affect the financial planning services provided in any other taxable year of the Executive. The Executive's right to financial planning services shall not be subject to liquidation or exchange for any other benefit. Such financial planning services shall be provided in a manner that complies with Section 1.409A-3(i)(1)(iv).

(f) Involuntary Termination in Connection with a Change in Control. Notwithstanding anything contained herein, in the event of an Involuntary Termination prior to a Change in Control, if the Involuntary Termination (i) was at the request of a third party who has taken steps reasonably calculated to effect such Change in Control or (ii) otherwise arose in connection with or in anticipation of such Change in Control, then the Executive shall, in lieu of the payments described in Section 4 hereof, be entitled to the Post-Change in Control Severance Payment and the additional benefits described in this Section 5 as if such Involuntary Termination had occurred within two (2) years following the Change in Control. The amounts specified in Section 5 that are to be paid under this Section 5(f) shall be reduced by any amount previously paid under Section 4. The amounts to be paid under this Section 5(f) shall be paid within sixty (60) days after the Change in Control Date of such Change in Control.

**Section 6.** Severance Benefits upon Termination by the Company for Cause or by the Executive Other than for Good Reason. If the Executive's employment shall be terminated for Cause, or if the Executive terminates employment other than for Good Reason, the Company shall have no further obligations to the Executive under this Agreement other than the pre-Change in Control Accrued Obligations and any amounts or benefits described in Section 10 hereof.

**Section 7. Severance Benefits upon Termination due to Death or Disability.** If the Executive has a Separation from Service by reason of death or Disability, the Company shall pay the Executive or his estate, as the case may be, the Accrued Obligations and a severance amount equal to the Pro Rata Bonus (without regard to whether a Change in Control has occurred) and any amounts or benefits described in Section 10 hereof. Such payments shall be in addition to those rights and benefits to which the Executive or his estate may be entitled under the relevant Company plans or programs. The Company's obligation to pay the severance amount pursuant to this Section 7 is conditioned upon the Executive, the Executive's representative or the Executive's estate, as the case may be executing the Release within fifty (50) days after the date of the Executive's Separation from Service and not revoking such Release in accordance with the terms thereof. The Accrued Obligations shall be paid within the time required by law and the severance amount payable pursuant to this Section 7 shall be paid within sixty (60) days after the date of the Separation from Service on such date determined by Sempra Energy but not before the Release becomes effective and irrevocable. If the fifty (50) day period in which the Release could become effective spans more than one (1) taxable year, then the severance amount shall not be made until the later taxable year.

**Section 8. Limitation on Payments by the Company.**

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth in this Section 8 below, in the event it shall be determined that any payment or distribution "in the nature of compensation" (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise (the "Payment") would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code, (the "Excise Tax"), then, subject to Section 8(b), the Pre-Change in Control Severance Payment or the Post-Change in Control Severance Payment (whichever is applicable) payable under this Agreement shall be reduced under this Section 8(a) to the amount equal to the Reduced Payment. For such Payment payable under this Agreement, the "Reduced Payment" shall be the amount equal to the greatest portion of the Payment (which may be zero (\$0)) that, if paid, would result in no portion of any Payment being subject to the Excise Tax.

(b) The Pre-Change in Control Severance Payment or the Post-Change in Control Severance Payment (whichever is applicable) payable under this Agreement shall not be reduced under Section 8(a) if:

(i) such reduction in such Payment is not sufficient to cause no portion of any Payment to be subject to the Excise Tax, or

(ii) the Net After-Tax Unreduced Payments (as defined below) would equal or exceed one hundred five percent (105%) of the Net After-Tax Reduced Payments (as defined below).

For purposes of determining the amount of any Reduced Payment under Section 8(a), and the Net-After Tax Reduced Payments and the Net After-Tax Unreduced Payments, the Executive shall be considered to pay federal, state and local income and employment taxes at the Executive's applicable marginal rates taking into consideration any reduction in federal income taxes which could be obtained from the deduction of state and local income taxes, and any reduction or disallowance of itemized deductions and personal exemptions under applicable tax law). The applicable federal, state and local income and employment taxes and the Excise Tax (to the extent applicable) are collectively referred to as the "Taxes."

(c) For purposes of determining the amount of any Reduced Payment under this Section 8, the amount of any Payment shall be reduced in the following order:

(i) first, by reducing the amounts of parachute payments that would not constitute deferred compensation subject to Section 409A of the Code;

(ii) next, if after the reduction described in Section 8(c)(i), additional reductions are required, then by reducing the cash portion of the Payment that constitutes “deferred compensation” (within the meaning of Section 409A) subject to Section 409A, with the reductions to be applied first to the portion of the Payment scheduled for the latest distribution date, and then applied to distributions scheduled for progressively earlier distribution dates, to the extent necessary to decrease the Payment as required under this Section 8; and

(iii) next, if after the reduction described in Section 8(c)(ii), additional reductions are required, then, by reducing the non-cash portion of the Payment that constitutes deferred compensation (within the meaning of Section 409A) subject to Section 409A, with the reductions to be applied first to the portion of the Payment scheduled for the latest distribution date, and then applied to distributions scheduled for progressively earlier distribution dates, to the extent necessary to decrease the Payment as required under this Section 8.

(d) The following definitions shall apply for purposes of this Section 8:

(i) “Net After-Tax Reduced Payments” shall mean the total amount of all Payments that the Executive would retain, on a Net After-Tax Basis, in the event that the Payments payable under this Agreement are reduced pursuant to Section 8(a).

(ii) “Net After-Tax Unreduced Payments” shall mean the total amount of all Payments that the Executive would retain, on a Net After-Tax Basis, in the event that the Payments payable under this Agreement are not reduced pursuant to Section 8(a).

(iii) “Net After-Tax Basis” shall mean, with respect to the Payments, either with or without reduction under Section 8(a) (as applicable), the amount that would be retained by the Executive from such Payments after the payment of all Taxes.

(e) All determinations required to be made under this Section 8 and the assumptions to be utilized in arriving at such determinations, shall be made by a nationally recognized accounting firm as may be agreed by the Company and the Executive (the “Accounting Firm”); *provided*, that the Accounting Firm’s determination shall be made based upon “substantial authority” within the meaning of Section 6662 of the Code. The Accounting Firm shall provide detailed supporting calculations to both the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. For purposes of determining whether and the extent to which the Payments will be subject to the Excise Tax, (i) no portion of the Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a “payment” within the meaning of Section 280G(b) of the Code shall be taken into account, (ii) no portion of the Payments shall be taken into account which, in the written opinion of the Accounting Firm, does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Payments shall be taken into account which, in the opinion of the Accounting Firm, constitutes “reasonable compensation” for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the “base amount” (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of



any non-cash benefit or any deferred payment or benefit included in the Payments shall be determined by the Accounting Firm in accordance with the principles of Section 280G(d)(3) and (4) of the Code.

**Section 9.** Delayed Distribution under Section 409A of the Code. Notwithstanding any other provision of this Agreement to the contrary, if the Executive is a Specified Employee on the date of the Executive's Involuntary Termination (or on the date of the Executive's Separation from Service by reason of Disability), the Section 409A Payments which are payable upon Separation from Service shall be delayed to the extent necessary in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, and such delayed payments or benefits shall be paid or distributed to the Executive during the thirty (30) day period commencing on the earlier of (a) the expiration of the six (6) month period measured from the date of the Executive's Separation from Service or (b) the date of the Executive's death. Upon the expiration of the applicable six (6) month period, all payments deferred pursuant to this Section 9 (excluding in-kind benefits) shall be paid in a lump sum payment to the Executive, plus interest thereon from the date of the Executive's Involuntary Termination through the payment date at an annual rate equal to Moody's Rate. The "Moody's Rate" shall mean the average of the daily Moody's Corporate Bond Yield Average – Monthly Average Corporates as published by Moody's Investors Service, Inc. (or any successor) for the month next preceding the Date of Termination. Any remaining payments due under the Agreement shall be paid as otherwise provided herein.

**Section 10.** Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), including, without limitation, any and all indemnification arrangements in favor of the Executive (whether under agreements or under the Company's charter documents or otherwise), and insurance policies covering the Executive, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any benefit, plan, policy, practice or program of, or any contract or agreement entered into with, the Company shall be payable in accordance with such benefit, plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement. At all times during the Executive's employment with the Company and thereafter, the Company shall provide (to the extent permissible under applicable law) the Executive with indemnification and D&O insurance insuring the Executive against insurable events which occur or have occurred while the Executive was a director or executive officer of the Company, that with respect to such insurance is on terms and conditions that, to the extent reasonably practical, are at least as generous as that then currently provided to any other current or former director or executive officer of the Company or any Affiliate. Such indemnification and D&O insurance shall be provided in a manner that complies with Treasury Regulation Section 1.409A-1(b) (10).

**Section 11.** Clawbacks. Notwithstanding anything herein to the contrary, if Sempra Energy determines, in its good faith judgment, that if the Executive is required to forfeit or to make any repayment of any compensation or benefit(s) to the Company under the Sarbanes-Oxley Act of 2002 or pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or any other law or pursuant to any formal policy of Sempra Energy, such forfeiture or repayment shall not constitute Good Reason.

**Section 12.** Full Settlement; Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others, provided that nothing

herein shall preclude the Company from separately pursuing recovery from the Executive based on any such claim. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts (including amounts for damages for breach) payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

**Section 13. Dispute Resolution.**

(a) If any dispute arises between the Executive and Sempra Energy or any of its Affiliates, including, but not limited to, disputes relating to or arising out of this Agreement, any action relating to or arising out of the Executive's employment or its termination, and/or any disputes regarding the interpretation, enforceability, or validity of this Agreement ("Arbitrable Dispute"), the Executive and Sempra Energy waive the right to resolve the dispute through litigation in a judicial forum and agree to resolve the Arbitrable Dispute through final and binding arbitration, except as prohibited by law. Arbitration shall be the exclusive remedy for any Arbitrable Dispute.

(b) As to any Arbitrable Dispute, Sempra Energy and the Executive waive any right to a jury trial or a court bench trial. The Company and the Executive also waive the right to bring, maintain, or participate in any class, collective, or representative proceeding, whether in arbitration or otherwise. Further, Arbitrable Disputes must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis.

(c) Arbitration shall take place at the office of the Judicial Arbitration and Mediation Service ("JAMS") (or, if the Executive is employed outside of California, the American Arbitration Association ("AAA")) nearest to the location where the Executive last worked for the Company. Except to the extent it conflicts with the rules and procedures set forth in this Agreement, arbitration shall be conducted in accordance with the JAMS Employment Arbitration Rules & Procedures (if the Executive is employed outside of California, the AAA Employment Arbitration Rules & Mediation Procedures), copies of which are attached for reference and available at [www.jamsadr.com](http://www.jamsadr.com); tel: 800.352.5267 and [www.adr.org](http://www.adr.org); tel: 800.778.7879, before a single experienced, neutral employment arbitrator selected in accordance with those rules.

(d) Sempra Energy will be responsible for paying any filing fee and the fees and costs of the arbitrator. Each party shall pay its own attorneys' fees. However, if any party prevails on a statutory claim that authorizes an award of attorneys' fees to the prevailing party, or if there is a written agreement providing for attorneys' fees, the arbitrator may award reasonable attorneys' fees to the prevailing party, applying the same standards a court would apply under the law applicable to the claim.

(e) The arbitrator shall apply the Federal Rules of Evidence, shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party, and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The arbitrator does not have the authority to consider, certify, or hear an arbitration as a class action, collective action, or any other type of representative action. Sempra Energy and the Executive recognize that this Agreement arises out of or concerns interstate commerce and that the Federal Arbitration Act shall govern the arbitration and shall govern the interpretation or enforcement of this Agreement or any arbitration award.

(f) EXECUTIVE ACKNOWLEDGES THAT BY ENTERING INTO THIS AGREEMENT, EXECUTIVE IS WAIVING ANY RIGHT HE MAY HAVE TO A TRIAL BY JURY.

**Section 14. Executive's Covenants.**

(a) Confidentiality. The Executive acknowledges that in the course of his employment with the Company, he has acquired non-public privileged or confidential information and trade secrets concerning the operations, future plans and methods of doing business ("Proprietary Information") of Sempra Energy and its Affiliates; and the Executive agrees that it would be extremely damaging to Sempra Energy and its Affiliates if such Proprietary Information were disclosed to a competitor of Sempra Energy and its Affiliates or to any other person or corporation. The Executive understands and agrees that all Proprietary Information has been divulged to the Executive in confidence and further understands and agrees to keep all Proprietary Information secret and confidential (except for such information which is or becomes publicly available other than as a result of a breach by the Executive of this provision or information the Executive is required by any governmental, administrative or court order to disclose) without limitation in time. In view of the nature of the Executive's employment and the Proprietary Information the Executive has acquired during the course of such employment, the Executive likewise agrees that Sempra Energy and its Affiliates would be irreparably harmed by any disclosure of Proprietary Information in violation of the terms of this Section 14(a) and that Sempra Energy and its Affiliates shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this Section 14(a) and to any other relief available to them. Inquiries regarding whether specific information constitutes Proprietary Information shall be directed to the Company's Senior Vice President, Public Policy (or, if such position is vacant, the Company's then Chief Executive Officer); *provided*, that the Company shall not unreasonably classify information as Proprietary Information.

(b) Governmental Reporting. Nothing in this Agreement is intended to interfere with or discourage the Executive's good faith disclosure related to a suspected violation of federal or state law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal or state law or regulation. The Executive cannot and will not be held criminally or civilly liable under any federal or state trade secret law for disclosing otherwise protected trade secrets and/or confidential or proprietary information so long as the disclosure is made in (i) confidence to a federal, state, or local government official, directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) a complaint or other document filed in a lawsuit or other proceeding, so long as such filing is made under seal. The Company will not retaliate against the Executive in any way for a disclosure made pursuant to this Section 14(b). Further, in the event the Executive makes such a disclosure, and files a lawsuit against the Company alleging that the Company retaliated against the Executive because of the disclosure, the Executive may disclose the relevant trade secret or confidential information to the Executive's attorney, and may use the same in the court proceeding only if (X) the Executive ensures that any court filing that includes the trade secret or confidential information at issue is made under seal; and (Y) the Executive does not otherwise disclose the trade secret or confidential information except as required by court order.

(c) Non-Solicitation of Employees. The Executive recognizes that he possesses and will possess confidential information about other employees of Sempra Energy and its Affiliates relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with customers of Sempra Energy and its Affiliates. The Executive recognizes that the information he possesses and will possess about these other employees is not generally known, is of substantial value to Sempra Energy and its Affiliates in developing their business and in securing and retaining customers, and has been and will be acquired by him because of his business position with Sempra Energy and its Affiliates. The Executive agrees that at all times during the Executive's employment with the Company and for a period of one (1) year thereafter, he will not, directly or indirectly, solicit or recruit any

employee of the Company or its Affiliates for the purpose of being employed by him or by any competitor of the Company or its Affiliates on whose behalf he is acting as an agent, representative or employee and that he will not convey any such confidential information or trade secrets about other employees of Sempra Energy and its Affiliates to any other person; *provided, however*, that it shall not constitute a solicitation or recruitment of employment in violation of this Section 14(c) to discuss employment opportunities with any employee of the Company or its Affiliates who has either first contacted the Executive or regarding whose employment the Executive has discussed with and received the written approval of the Company's most senior Vice President, Human Resources (or, if such position is vacant, the Company's then Chief Executive Officer), prior to making such solicitation or recruitment. In view of the nature of the Executive's employment with the Company, the Executive likewise agrees that Sempra Energy and its Affiliates would be irreparably harmed by any solicitation or recruitment in violation of the terms of this Section 14(c) and that Sempra Energy and its Affiliates shall therefore be entitled to preliminary and/or permanent injunctive relief prohibiting the Executive from engaging in any activity or threatened activity in violation of the terms of this Section 14(c) and to any other relief available to them.

(d) Survival of Provisions. The obligations contained in Section 14(a), (b) and (c) above shall survive the termination of the Executive's employment within the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in Section 14(a) or (c) above is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

(e) Release; Consulting Payment. In the event of the Executive's Involuntary Termination, if the Executive (i) reconfirms and agrees to abide by the covenants described in Section 14(a) and (c) above, (ii) executes the Release within fifty (50) days after the date of Involuntary Termination and does not revoke such Release in accordance with the terms thereof, and (iii) agrees to provide the consulting services described in Section 14(f) below, then in consideration for such covenants and consulting services, the Company shall pay the Executive, in one (1) cash lump sum, an amount (the "Consulting Payment") in cash equal to the sum of (X) the Executive's Annual Base Salary as in effect on the Date of Termination, plus (Y) the greater of the Executive's Average Annual Bonus or the Executive's Target Bonus on the Date of Termination. Except as provided in this Section 14(e), the Consulting Payment shall be paid on such date as is determined by the Company within the ten (10) day period commencing on the sixtieth (60th) day after the date of the Executive's Involuntary Termination; *provided, however*, that if the Executive is a Specified Employee on the date of the Executive's Involuntary Termination, the Consulting Payment shall be paid as provided in Section 9 hereof to the extent required.

(f) Consulting. If the Executive agrees to the provisions of Section 14(e) above, then the Executive shall have the obligation to provide consulting services to the Company as an independent contractor, commencing on the Date of Termination and ending on the second (2nd) anniversary of the Date of Termination (the "Consulting Period"). The Executive shall hold himself available at reasonable times and on reasonable notice to render such consulting services as may be so assigned to him by the Board or the Company's then Chief Executive Officer; *provided, however*, that unless the parties otherwise agree, the consulting services rendered by the Executive during the Consulting Period shall not exceed twenty (20) hours each month; and, *provided, further*, that the consulting services rendered by the Executive during the Consulting Period shall in no event exceed twenty percent (20%) of the average level of services performed by the Executive for the Company over the thirty-six (36) month period immediately preceding the Executive's Separation from Service (or the full period of services to the Company, if the Executive has been providing services to the Company for less than thirty-

six (36) months). The Company agrees to use its best efforts during the Consulting Period to secure the benefit of the Executive's consulting services so as to minimize the interference with the Executive's other activities, including requiring the performance of consulting services at the Company's offices only when such services may not be reasonably performed off-site by the Executive.

**Section 15. Legal Fees.**

(a) Reimbursement of Legal Fees. Subject to Section 15(b), in the event of the Executive's Separation from Service either (i) prior to a Change in Control, or (ii) on or within two (2) years following a Change in Control, the Company shall reimburse the Executive for all legal fees and expenses (including but not limited to fees and expenses in connection with any arbitration) incurred by the Executive in disputing any issue arising under this Agreement relating to the Executive's Separation from Service or in seeking to obtain or enforce any benefit or right provided by this Agreement.

(b) Requirements for Reimbursement. The Company shall reimburse the Executive's legal fees and expenses pursuant to Section 15(a) above only to the extent the arbitrator or court determines the following: (i) the Executive disputed such issue, or sought to obtain or enforce such benefit or right, in good faith, (ii) the Executive had a reasonable basis for such claim, and (iii) in the case of Section 15(a)(i) above, the Executive is the prevailing party. In addition, the Company shall reimburse such legal fees and expenses, only if such legal fees and expenses are incurred during the twenty (20) year period beginning on the date of the Executive's Separation from Service. The legal fees and expenses paid to the Executive for any taxable year of the Executive shall not affect the legal fees and expenses paid to the Executive for any other taxable year of the Executive. The legal fees and expenses shall be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the fees or expenses are determined to be payable pursuant to this Agreement. The Executive's right to reimbursement of legal fees and expenses shall not be subject to liquidation or exchange for any other benefit. Such right to reimbursement of legal fees and expenses shall be provided in a manner that complies with Treasury Regulation Section 1.409A-3(i)(1)(iv).

**Section 16. Successors.**

(a) Assignment by the Executive. This Agreement is personal to the Executive and without the prior written consent of Sempra Energy shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) Successors and Assigns of Sempra Energy. This Agreement shall inure to the benefit of and be binding upon Sempra Energy and its successors and assigns. Sempra Energy may not assign this Agreement to any person or entity (except for a successor described in Section 16(c), (d) or (e) below) without the Executive's written consent.

(c) Assumption. Sempra Energy shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Sempra Energy to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities of this Agreement in the same manner and to the same extent that Sempra Energy would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement if no such succession had taken place, and Sempra Energy shall have no further obligations and liabilities under this Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to such successor.

(d) Sale of Subsidiary. In the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy that is a member of the Sempra Energy Control Group, (ii) Sempra Energy, directly or indirectly through one or more intermediaries, sells or otherwise disposes of such subsidiary, and (iii) such subsidiary ceases to be a member of the Sempra Energy Control Group, then if, on the date such subsidiary ceases to be a member of the Sempra Energy Control Group, the Executive continues in employment with such subsidiary and the Executive does not have a Separation from Service, Sempra Energy shall require such subsidiary or any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to such subsidiary, or the parent thereof, to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities under this Agreement in the same manner and to the same extent that Sempra Energy would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement, if such subsidiary had not ceased to be part of the Sempra Energy Control Group, and, upon such assumption, Sempra Energy shall have no further obligations and liabilities under the Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to such subsidiary, or such successor or parent thereof, assuming this Agreement, and subsection (b) of the definition of “Cause” and subsection (b) of the definition of “Good Reason” shall apply thereafter, as if a Change in Control had occurred on the date of such cessation.

(e) Sale of Assets of Subsidiary. In the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy, and (ii) such subsidiary sells or otherwise disposes of substantial assets of such subsidiary to an unrelated service recipient, as determined under Treasury Regulation Section 1.409A-1(f)(2)(ii) (the “Asset Purchaser”), in a transaction described in Treasury Regulation Section 1.409A-1(h)(4) (an “Asset Sale”), then if, on the date of such Asset Sale, the Executive becomes employed by the Asset Purchaser, Sempra Energy and the Asset Purchaser may specify, in accordance with Treasury Regulation Section 1.409A-1(h)(4), that the Executive shall not be treated as having a Separation from Service, and in such event, Sempra Energy may require such Asset Purchaser, or the parent thereof, to assume expressly and agree to perform the obligations and satisfy and discharge the liabilities under this Agreement in the same manner and to the same extent that the Company would have been required to perform the obligations and satisfy and discharge the liabilities under this Agreement, if the Asset Sale had not taken place, and, upon such assumption, Sempra Energy shall have no further obligations and liabilities under the Agreement. Upon such assumption, references to Sempra Energy in this Agreement shall be replaced with references to the Asset Purchaser or the parent thereof, as applicable, and subsection (b) of the definition of “Cause” and subsection (b) of the definition of “Good Reason” shall apply thereafter, as if a Change in Control had occurred on the date of the Asset Sale.

**Section 17.** Administration Prior to Change in Control. Prior to a Change in Control, the Compensation Committee shall have full and complete authority to construe and interpret the provisions of this Agreement, to determine an individual’s entitlement to benefits under this Agreement, to make in its sole and absolute discretion all determinations contemplated under this Agreement, to investigate and make factual determinations necessary or advisable to administer or implement this Agreement, and to adopt such rules and procedures as it deems necessary or advisable for the administration or implementation of this Agreement. All determinations made under this Agreement by the Compensation Committee shall be final, conclusive and binding on all interested persons. Prior to a Change in Control, the Compensation Committee may delegate responsibilities for the operation and administration of this Agreement to one or more officers or employees of the Company. The provisions of this Section 17 shall terminate and be of no further force and effect upon the occurrence of a Change in Control.

**Section 18.** Compliance with Section 409A of the Code. All payments and benefits payable under this Agreement (including, without limitation, the Section 409A

Payments) are intended to comply with the requirements of Section 409A of the Code. Certain payments and benefits payable under this Agreement are intended to be exempt from the requirements of Section 409A of the Code. This Agreement shall be interpreted in accordance with the applicable requirements of, and exemptions from, Section 409A of the Code and the Treasury Regulations thereunder. To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Section 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder. If the Company and the Executive determine that any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Section 409A(a)(2), (3) and (4) of the Code do not comply with Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, to the extent permitted under Section 409A of the Code, the Treasury Regulations thereunder and any applicable authority issued by the Internal Revenue Service, the Company and the Executive agree to amend this Agreement, or take such other actions as the Company and the Executive deem reasonably necessary or appropriate, to cause such compensation, benefits and other payments to comply with the requirements of Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, while providing compensation, benefits and other payments that are, in the aggregate, no less favorable than the compensation, benefits and other payments provided under this Agreement. In the case of any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Section 409A(a)(2), (3) and (4) of the Code, if any provision of the Agreement would cause such compensation, benefits or other payments to fail to so comply, such provision shall not be effective and shall be null and void with respect to such compensation, benefits or other payments to the extent such provision would cause a failure to comply, and such provision shall otherwise remain in full force and effect.

**Section 19. Miscellaneous.**

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to its principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Except as provided herein, the Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the parties hereto. No person, other than pursuant to a resolution of the Board or a committee thereof, shall have authority on behalf of Sempra Energy to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by a reputable overnight carrier or by registered or certified mail, return receipt requested, postage prepaid, addressed, in either case, to the Company's headquarters or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) Taxes. The Company may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) No Waiver. The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 1 hereof, or the right of the Company to terminate the Executive's employment for Cause pursuant to Section 1 hereof shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) Entire Agreement; Exclusive Benefit; Supersession of Prior Agreement. This Agreement contains the entire agreement of the Executive, the Company or any predecessor or subsidiary thereof with respect to any severance or termination pay. The Pre-Change in Control Severance Payment, the Post-Change in Control Severance Payment and all other benefits provided hereunder shall be in lieu of any other severance payments to which the Executive is entitled under any other severance plan or program or arrangement sponsored by the Company, as well as pursuant to any individual employment or severance agreement that was entered into by the Executive and the Company, and, upon the Effective Date of this Agreement, all such plans, programs, arrangements and agreements are hereby automatically superseded and terminated.

(g) No Right of Employment. Nothing in this Agreement shall be construed as giving the Executive any right to be retained in the employ of the Company or shall interfere in any way with the right of the Company to terminate the Executive's employment at any time, with or without Cause.

(h) Unfunded Obligation. The obligations under this Agreement shall be unfunded. Benefits payable under this Agreement shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under this Agreement.

(i) Termination upon Sale of Assets of Subsidiary. Notwithstanding anything contained herein, this Agreement shall automatically terminate and be of no further force and effect and no benefits shall be payable hereunder in the event that (i) the Executive is employed by a direct or indirect subsidiary of Sempra Energy, (ii) an Asset Sale (as defined in Section 16(e)) occurs (other than such a sale or disposition which is part of a transaction or series of transactions which would result in a Change in Control), and (iii) as a result of such Asset Sale, the Executive is offered employment by the Asset Purchaser in an executive position with reasonably comparable status, compensation, benefits and severance agreement (including the assumption of this Agreement in accordance with Section 16(e)) and which is consistent with the Executive's experience and education, but the Executive declines to accept such offer and the Executive fails to become employed by the Asset Purchaser on the date of the Asset Sale.

(j) Term. The term of this Agreement shall commence on the Effective Date and shall continue until the third (3rd) anniversary of the Effective Date; *provided, however*, that commencing on the second (2nd) anniversary of the Effective Date (and each anniversary of the Effective Date thereafter), the term of this Agreement shall automatically be extended for one (1) additional year, unless at least ninety (90) days prior to such date, the Company or the Executive shall give written notice to the other party that it or he, as the case may be, does not wish to so extend this Agreement. Notwithstanding the foregoing, if the Company gives such written notice to the Executive (i) at a time when Sempra Energy is a party to an agreement that, if consummated, would constitute a Change in Control or (ii) less than two (2) years after a Change in Control, the term of this Agreement shall be automatically extended until the later of (X) the date that is one (1) year after the anniversary of the Effective Date that follows such written notice or (Y) the second (2nd) anniversary of the Change in Control Date.



(k) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

*[remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, Sempra Energy have caused this Agreement to be executed as of the day and year first above written.

SEMPRA ENERGY

/s/ Karen Sedgwick

Karen Sedgwick

Chief Administrative Officer and Chief Human Resources Officer

August 1, 2022

Date

EXECUTIVE

/s/ Mia DeMontigny

Mia DeMontigny

Senior Vice President and Chief Financial Officer

Southern California Gas Company

July 27, 2022

Date

**GENERAL RELEASE**

This GENERAL RELEASE (the "Agreement"), dated \_\_\_\_\_, is made by and between \_\_\_\_\_, a California corporation (the "Company") and \_\_\_\_\_ ("you" or "your").

WHEREAS, you and the Company have previously entered into that certain Severance Pay Agreement dated \_\_\_\_\_, 20\_\_ (the "Severance Pay Agreement"); and

WHEREAS, your right to receive certain severance pay and benefits pursuant to the terms of Section 4 or 5 of the Severance Pay Agreement, as applicable, is subject to and conditioned upon your execution and non-revocation of a general release of claims by you against the Company and its subsidiaries and affiliates.

WHEREAS, your right to receive the Consulting Payment provided pursuant to Section 14(e) of the Severance Pay Agreement is subject to and conditioned upon your execution and non-revocation of a general release of claims by you against the Company and its subsidiaries and affiliates; and your adherence to the covenants described under Section 14 of the Severance Pay Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, you and the Company hereby agree as follows:

ONE: Your signing of this Agreement confirms that your employment with the Company shall terminate at the close of business on \_\_\_\_\_, or earlier upon our mutual agreement. This Agreement is not a condition of employment or continued employment or a condition of receiving a raise or a bonus.

TWO: As a material inducement for the payment of the severance and benefits of the Severance Pay Agreement, and except as otherwise provided in this Agreement, you and the Company hereby irrevocably and unconditionally release, acquit and forever discharge the other from any and all Claims either may have against the other. For purposes of this Agreement and the preceding sentence, the words "Releasee" or "Releasees" and "Claim" or "Claims" shall have the meanings set forth below:

(a) The words "Releasee" or "Releasees" shall refer to you and to the Company and each of the Company's owners, stockholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, advisors, parent companies, divisions, subsidiaries, affiliates (and agents, directors, officers, employees, representatives, attorneys and advisors of such parent companies, divisions, subsidiaries and affiliates) and all persons acting by, through, under or in concert with any of them.

(b) The words "Claim" or "Claims" shall refer to any charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, which you or the Company now, in the past or, in the future may have, own or hold against any of the Releasees; *provided, however, that the word "Claim" or "Claims" shall not refer to any charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) arising under [*identify severance, employee benefits, stock option, indemnification and D&O and other agreements containing**

*duties, rights obligations etc. of either party that are to remain operative*]. Claims released pursuant to this Agreement by you and the Company include, but are not limited to, rights arising out of alleged violations of any contracts, express or implied, any tort, claim, any claim that you failed to perform or negligently performed or breached your duties during employment at the Company, any legal restrictions on the Company's right to terminate employment relationships; and any federal, state or other governmental statute, regulation, or ordinance, governing the employment relationship including, without limitation, all state and federal laws and regulations prohibiting discrimination based on protected categories, and all state and federal laws and regulations prohibiting retaliation against employees for engaging in protected activity or legal off-duty conduct. This release does not extend to claims for workers' compensation or other claims which by law may not be waived or released by this Agreement.

THREE: You and the Company expressly waive and relinquish all rights and benefits afforded by any statute (including but not limited to Section 1542 of the Civil Code of the State of California and analogous laws of other states) which limits the effect of a release with respect to unknown claims. You and the Company do so understanding and acknowledging the significance of the release of unknown claims and the waiver of statutory protection against a release of unknown claims (including but not limited to Section 1542). Section 1542 of the Civil Code of the State of California states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Thus, notwithstanding the provisions of Section 1542 or of any similar statute, and for the purpose of implementing a full and complete release and discharge of the Releasees, you and the Company expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all Claims which are known and all Claims which you or the Company do not know or suspect to exist in your or the Company's favor at the time of execution of this Agreement and that this Agreement contemplates the extinguishment of all such Claims.

FOUR: The parties acknowledge that they might hereafter discover facts different from, or in addition to, those they now know or believe to be true with respect to a Claim or Claims released herein, and they expressly agree to assume the risk of possible discovery of additional or different facts, and agree that this Agreement shall be and remain effective, in all respects, regardless of such additional or different discovered facts.

FIVE: As a further material inducement to the Company to enter into this Agreement, you hereby agree to indemnify and hold each of the Releasees harmless from all loss, costs, damages, or expenses, including without limitation, attorneys' fees incurred by the Releasees, arising out of any breach of this Agreement by you or the fact that any representation made in this Agreement by you was false when made.

As a further material inducement to you to enter into this Agreement, the Company hereby agrees to indemnify and hold each of the Releasees harmless from all loss, costs, damages, or expenses, including without limitation, attorneys' fees incurred by the Releasees, arising out of any breach of this Agreement by it or the fact that any representation made in this Agreement by it was knowingly false when made.

SIX: You and the Company represent and acknowledge that in executing this Agreement, neither is relying upon any representation or statement not set forth in this Agreement or the Severance Agreement.

SEVEN:

(a) This Agreement shall not in any way be construed as an admission by the Company that it has acted wrongfully with respect to you or any other person, or that you have any rights whatsoever against the Company, and the Company specifically disclaims any liability to or wrongful acts against you or any other person, on the part of itself, its employees or its agents. This Agreement shall not in any way be construed as an admission by you that you have acted wrongfully with respect to the Company, or that you failed to perform your duties or negligently performed or breached your duties, or that the Company had good cause to terminate your employment.

(b) If you are a party or are threatened to be made a party to any proceeding by reason of the fact that you were an officer or director of the Company, the Company shall indemnify you against any expenses (including reasonable attorneys' fees; *provided*, that counsel has been approved by the Company prior to retention, which approval shall not be unreasonably withheld), judgments, fines, settlements and other amounts actually or reasonably incurred by you in connection with that proceeding; *provided, further*, that you acted in good faith and in a manner you reasonably believed to be in the best interest of the Company. The limitations of Section 317 of the Corporations Code of the State of California shall apply to this assurance of indemnification.

(c) You agree to cooperate with the Company and its designated attorneys, representatives and agents in connection with any actual or threatened judicial, administrative or other legal or equitable proceeding in which the Company is or may become involved. Upon reasonable notice, you agree to meet with and provide to the Company or its designated attorneys, representatives or agents all information and knowledge you have relating to the subject matter of any such proceeding. The Company agrees to reimburse you for any reasonable costs you incur in providing such cooperation.

EIGHT: This Agreement is entered into in California and shall be governed by substantive California law, except as provided in this section. If any dispute arises between you and the Company, including but not limited to, disputes relating to this Agreement, or if you prosecute a claim you purported to release by means of this Agreement ("Arbitrable Dispute"), you and the Company agree to resolve that Arbitrable Dispute through final and binding arbitration under this section. You also agree to arbitrate any Arbitrable Dispute which also involves any other released party who offers or agrees to arbitrate the dispute under this section. Your agreement to arbitrate applies, for example, to disputes about the validity, interpretation, or effect of this Agreement or alleged violations of it, claims of discrimination under federal or state law, or other statutory violation claims.

As to any Arbitrable Dispute, you and the Company waive any right to a jury trial or a court bench trial. You and the Company also waive the right to bring, maintain, or participate in any class, collective, or representative proceeding, whether in arbitration or otherwise. Further, Arbitrable Disputes must be brought in the individual capacity of the party asserting the claim, and cannot be maintained on a class, collective, or representative basis.

Arbitration shall take place in San Diego, California under the employment dispute resolution rules of the Judicial Arbitration and Mediation Service, (or, if you are employed outside of California at the time of the termination of your employment, at the nearest location of the American Arbitration Association ("AAA") and in accordance with the AAA

rules), before an experienced employment arbitrator selected in accordance with those rules. The arbitrator may not modify or change this Agreement in any way. The Company will be responsible for paying any filing fee and the fees and costs of the Arbitrator; provided, however, that if you are the party initiating the claim, you will contribute an amount equal to the filing fee to initiate a claim in the court of general jurisdiction in the state in which you are employed by the Company. Each party shall pay for its own costs and attorneys' fees, if any. However if any party prevails on a statutory claim which affords the prevailing party attorneys' fees and costs, or if there is a written agreement providing for attorneys' fees and/or costs, the Arbitrator may award reasonable attorney's fees and/or costs to the prevailing party, applying the same standards a court would apply under the law applicable to the claim. The Arbitrator shall apply the Federal Rules of Evidence and shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Federal Arbitration Act shall govern the arbitration and shall govern the interpretation or enforcement of this section or any arbitration award. The arbitrator will not have the authority to consider, certify, or hear an arbitration as a class action, collective action, or any other type of representative action.

To the extent that the Federal Arbitration Act is inapplicable, California law pertaining to arbitration agreements shall apply. Arbitration in this manner shall be the exclusive remedy for any Arbitrable Dispute. Except as prohibited by the Age Discrimination in Employment Act of 1967, as amended, should you or the Company attempt to resolve an Arbitrable Dispute by any method other than arbitration pursuant to this section, the responding party will be entitled to recover from the initiating party all damages, expenses, and attorneys' fees incurred as a result of this breach. This Section EIGHT supersedes any existing arbitration agreement between the Company and me as to any Arbitrable Dispute. Notwithstanding anything in this Section EIGHT to the contrary, a claim for benefits under an Employee Retirement Income Security Act of 1974, as amended, covered plan shall not be an Arbitrable Dispute.

NINE: Both you and the Company understand that this Agreement is final and binding eight (8) days after its execution and return. Should you nevertheless attempt to challenge the enforceability of this Agreement as provided in Section EIGHT or, in violation of that section, through litigation, as a further limitation on any right to make such a challenge, you shall initially tender to the Company, by certified check delivered to the Company, all monies received pursuant to Section 4 or 5 of the Severance Pay Agreement, as applicable, plus interest, and invite the Company to retain such monies and agree with you to cancel this Agreement and void the Company's obligations under the Severance Pay Agreement. In the event the Company accepts this offer, the Company shall retain such monies and this Agreement shall be canceled and the Company shall have no obligation under Section 14(e) of the Severance Pay Agreement. In the event the Company does not accept such offer, the Company shall so notify you and shall place such monies in an interest-bearing escrow account pending resolution of the dispute between you and the Company as to whether or not this Agreement and the Company's obligations under the Severance Pay Agreement shall be set aside and/or otherwise rendered voidable or unenforceable. Additionally, any consulting agreement then in effect between you and the Company shall be immediately rescinded with no requirement of notice.

TEN: Any notices required to be given under this Agreement shall be delivered either personally or by first class United States mail, postage prepaid, addressed to the respective parties as follows:

To Company: [TO COME]

Attn: [TO COME]

To You: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ELEVEN: You understand and acknowledge that you have been given a period of forty-five (45) days to review and consider this Agreement (as well as certain data on other persons eligible for similar benefits, if any) before signing it and may use as much of this forty-five (45) day period as you wish prior to signing. You are encouraged, at your personal expense, to consult with an attorney before signing this Agreement. You understand and acknowledge that whether or not you do so is your decision. You may revoke this Agreement within seven (7) days of signing it. If you wish to revoke, the Company's Vice President, Human Resources must receive written notice from you no later than the close of business on the seventh (7th) day after you have signed the Agreement. If revoked, this Agreement shall not be effective and enforceable, and you will not receive payments or benefits under Section 4 or 5 of the Severance Pay Agreement, as applicable.

TWELVE: This Agreement constitutes the entire agreement of the parties hereto and supersedes any and all other agreements (except the Severance Pay Agreement) with respect to the subject matter of this Agreement, whether written or oral, between you and the Company. All modifications and amendments to this Agreement must be in writing and signed by the parties.

THIRTEEN: Each party agrees, without further consideration, to sign or cause to be signed, and to deliver to the other party, any other documents and to take any other action as may be necessary to fulfill the obligations under this Agreement.

FOURTEEN: If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or application; and to this end the provisions of this Agreement are declared to be severable.

FIFTEEN: This Agreement may be executed in counterparts.

I have read the foregoing General Release, and I accept and agree to the provisions it contains and hereby execute it voluntarily and with full understanding of its consequences. I am aware it includes a release of all known or unknown claims.

DATED: \_\_\_\_\_

\_\_\_\_\_

DATED: \_\_\_\_\_

\_\_\_\_\_

You acknowledge that you first received this Agreement on [date].

\_\_\_\_\_

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 Energy;
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.

November 3, 2022    /s/ J. Walker Martin  
J. Walker Martin  
Chief Executive Officer



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 Energy;
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.

November 3, 2022    /s/ Trevor I. Mihalik  
Trevor I. Mihalik  
Chief Financial Officer

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.

November 3, 2022    /s/ Caroline A. Winn  
Caroline A. Winn  
Chief Executive Officer

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.

November 3, 2022

/s/ Bruce A. Folkmann

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Bruce A. Folkmann

Chief Financial Officer

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.

November 3, 2022    /s/ Scott D. Drury  
Scott D. Drury  
Chief Executive Officer

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.

November 3, 2022

/s/ Mia L. DeMontigny

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Mia L. DeMontigny

Chief Financial Officer

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 Energy (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 September 30, 2022 (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.

November 3, 2022    /s/ J. Walker Martin  
J. Walker Martin  
Chief Executive Officer

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 Energy (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 September 30, 2022 (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.

November 3, 2022    /s/ Trevor I. Mihalik  
Trevor I. Mihalik  
Chief Financial Officer

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 September 30, 2022 (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.

November 3, 2022    /s/ Caroline A. Winn  
Caroline A. Winn  
Chief Executive Officer



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 September 30, 2022 (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.

November 3, 2022    /s/ Bruce A. Folkmann  
Bruce A. Folkmann  
Chief Financial Officer

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 September 30, 2022 (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.

November 3, 2022    /s/ Scott D. Drury  
Scott D. Drury  
Chief Executive Officer

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 September 30, 2022 (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.

November 3, 2022    /s/ Mia L. DeMontigny  
Mia L. DeMontigny  
Chief Financial Officer