July 10, 2018

Sempra Energy Announces Pricing Of Public Offerings Of Common Stock And Mandatory Convertible Preferred Stock

SAN DIEGO, July 10, 2018 /PRNewswire/ -- Sempra Energy (NYSE: SRE) today announced that it has priced its concurrent offerings (the equity offerings) of 9,750,000 shares of its common stock in connection with the forward sale agreements described below at $113.75 per share and 5,000,000 shares of its 6.75-percent Mandatory Convertible Preferred Stock, Series B, at $100 per share, each in a separate registered public offering. The equity offerings are expected to close on or about July 13, 2018, subject to customary closing conditions. In addition, the underwriters in the respective equity offerings have been granted the option to purchase directly from Sempra Energy up to an additional 1,462,500 shares of its common stock and up to an additional 750,000 shares of the Mandatory Convertible Preferred Stock.

These offerings are being made by means of separate prospectus supplements and are not contingent on each other.

The net proceeds from the Mandatory Convertible Preferred Stock offering will be approximately $491.8 million, after deducting the underwriting discount, but before deducting estimated offering expenses payable by Sempra Energy. Sempra Energy expects to use the net proceeds from the Mandatory Convertible Preferred Stock offering and the related sale of shares of its common stock pursuant to the forward sale agreements referred to below to repay outstanding commercial paper, to fund working capital and for other general corporate purposes.

Citigroup and J.P. Morgan are acting as joint bookrunners of the equity offerings and representatives of the underwriters.

In connection with the common stock offering, Sempra Energy has entered into forward sale agreements with an affiliate of Citigroup and an affiliate of J.P. Morgan (in such capacity, the forward purchasers) with respect to 9,750,000 shares of its common stock. In connection with the forward sale agreements, the forward purchasers or their respective affiliates (in such capacity, the forward sellers) are expected to borrow from third parties and sell to the underwriters of the common stock offering for resale by such underwriters in such offering an aggregate of 9,750,000 shares of the common stock. If, however, the forward purchasers determine in good faith, after using commercially reasonable efforts, that the forward sellers are unable to borrow and deliver to the underwriters any such shares of common stock, or that the forward sellers are unable to borrow, at a stock loan rate not greater than a specified rate, and deliver to the underwriters any such shares, or if the forward sellers elect not to borrow such shares of common stock because specified conditions are not satisfied, Sempra Energy will issue and sell to the underwriters a number of shares of common stock equal to the number of shares that the forward sellers did not borrow and deliver.

Sempra Energy will not initially receive any proceeds from the sale of common stock sold by the forward sellers to the underwriters. Instead, subject to its right to elect cash settlement or net share settlement subject to certain conditions, Sempra Energy intends to deliver, upon physical settlement of such forward sale agreements on one or more dates specified by Sempra Energy occurring no later than Dec. 15, 2019, an aggregate of 9,750,000 shares of its common stock to the forward purchasers in exchange for cash proceeds per share equal to the applicable forward sale price per share, which will initially be equal to the public offering price per share in the common stock offering less underwriting discounts and commissions. The initial forward sale price is subject to subsequent adjustment from time to time as provided in the forward sale agreements.

Each share of Mandatory Convertible Preferred Stock will have a liquidation preference of $100 per share.

Unless earlier converted, each share of Mandatory Convertible Preferred Stock will automatically convert into a variable number of shares of Sempra Energy's common stock on the mandatory conversion date, which is expected to be July 15, 2021. The number of shares of Sempra Energy's common stock issuable on mandatory conversion will be determined based on the average volume-weighted average price of Sempra Energy's common stock over the 20-trading day period commencing on and including the 21st scheduled trading day prior to July 15, 2021.

Dividends on the shares of Mandatory Convertible Preferred Stock will be payable on a cumulative basis when, as and if declared by Sempra Energy's board of directors, at an annual rate of 6.75 percent on the liquidation preference of $100 per share. The dividends may be paid in cash or, subject to certain limitations, in shares of Sempra Energy common stock or, at Sempra Energy's election, any combination of cash and shares of common stock on Jan. 15, April 15, July 15 and Oct. 15 of each year, commencing on Oct. 15, 2018, and to, and including, July 15, 2021.

The offerings are being made pursuant to an effective shelf registration statement filed with the U.S. Securities and Exchange Commission (SEC). Each offering is being made only by means of a prospectus supplement relating to such offering and the accompanying base prospectus, copies of which may be obtained by contacting the representatives of the underwriters using the information provided below under "Underwriter Contact Information." An electronic copy of each prospectus supplement, together with the accompanying prospectus, will be available on the SEC's website, www.sec.gov.

This press release shall not constitute an offer to sell or a solicitation of an offer to buy the securities described herein, nor shall there be any sale of these securities in any state or other jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

This press release contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words such as "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "assumes," "depends," "should," "could," "would," "will," "confident," "may," "can," "potential," "possible," "proposed," "target," "pursue," "outlook," "maintain," or similar expressions or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Such forward-looking statements include, among other things, statements related to Sempra Energy's expectations regarding the completion and timing of its public offerings, the expected physical settlement of the forward sale agreements, and use of proceeds. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements.

Factors, among others, that could cause actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to: the impact of current global economic, credit and market conditions and the satisfaction of customary closing conditions related to the offerings, as well as risks and uncertainties associated with our business in general, including, actions and the timing of actions, including decisions, new regulations, and issuances of permits and other authorizations by the California Public Utilities Commission, U.S. Department of Energy, California Department of Conservation's Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Administration, Los Angeles County Department of Public Health, Public Utility Commission of Texas, states, cities and counties, and other regulatory and governmental bodies in the U.S. and other countries in which we operate; the timing and success of business development efforts and construction projects, including risks in obtaining or maintaining permits and other authorizations on a timely basis, risks in completing construction projects on schedule and on budget, and risks in obtaining the consent and participation of partners and counterparties; the resolution of civil and criminal litigation and regulatory investigations; deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; denials of approvals of proposed settlements or modifications of settlements; and delays in, or disallowance or denial of, regulatory agency authorizations to recover costs in rates from customers (including with respect to amounts associated with the San Onofre Nuclear Generating Station facility and 2007 wildfires) or regulatory agency approval for projects required to enhance safety and reliability, any of which may raise our cost of capital and materially impair our ability to finance our operations; the greater degree and prevalence of wildfires in California in recent years and risk that we may be found liable for damages regardless of fault, such as in cases where the inverse condemnation doctrine applies, and risk that we may not be able to recover any such costs in rates from customers in California; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the transmission grid, moratoriums or limitations on the withdrawal or injection of natural gas from or into storage facilities, and equipment failures; changes in energy markets; volatility in commodity prices; moves to reduce or eliminate reliance on natural gas; the impact on the value of our investments in natural gas storage and related assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for storage services; risks posed by actions of third parties who control the operations of our investments, and risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; weather conditions, natural disasters, accidents, equipment failures, computer system outages, explosions, terrorist attacks and other events that disrupt our operations, damage our facilities and systems, cause the release of greenhouse gases, radioactive materials and harmful emissions, cause wildfires and subject us to third-party liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits), may be disputed by insurers or may otherwise not be recoverable through regulatory mechanisms or may impact our ability to obtain satisfactory levels of insurance, to the extent that such insurance is available or not prohibitively expensive; cybersecurity threats to the energy grid, storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers and employees; our ability to successfully execute our plan to divest certain assets on the anticipated timeframe, if at all, or that such plan may not yield the anticipated benefits; capital markets and economic conditions, including the availability of credit and the liquidity of our investments; fluctuations in inflation, interest and currency exchange rates and our ability to effectively hedge the risk of such fluctuations; the impact of recent federal tax reform and uncertainty as to how it may be applied, and our ability to mitigate adverse impacts; actions by credit rating agencies to downgrade our credit ratings of us or those of our subsidiaries or to place those ratings on negative outlook; changes in foreign and domestic trade policies and laws, including border tariffs, revisions to international trade agreements, such as the North American Free Trade Agreement that make us less competitive or impair our ability to resolve trade disputes; the ability to win competitively bid infrastructure projects against a number of strong and aggressive *competitors; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates due to the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system and from possible departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation or other forms of distributed and local power generation, and the potential risk of nonrecovery for stranded assets and contractual obligations; the ability to realize the anticipated benefits from our investment in Oncor Electric Delivery Holdings Company LLC (Oncor Holdings); indebtedness we have incurred to fund the acquisition of our investment in Oncor Holdings, which may make it more difficult for us to repay or refinance our debt or may require us to take other actions that may decrease business flexibility and increase borrowing costs; Oncor Electric Delivery Company LLC's (Oncor) ability to eliminate or reduce its quarterly dividends due to its requirement to meet and maintain its regulatory capital structure, or because any of the three major credit rating agencies rates Oncor's senior secured debt securities below BBB (or the equivalent) or Oncor's independent directors or a minority member director determine it is in the best interest of Oncor to retain such amounts to meet future capital expenditures; actions of activist shareholders, which could impact the market price of our common stock, preferred stock and other securities and disrupt our operations as a result of, among other things, requiring significant time and attention by management and our board of directors; and other uncertainties, some of which may be difficult to predict and are beyond our control.*

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

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

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