Sempra Energy

Sempra Energy

Fourth Quarter 2017 Earnings Results

February 27, 2018

Information Regarding Forward-Looking Statements

This presentation 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. 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 our actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to: actions and the timing of actions, including decisions, new regulations, and issuances of permits and other authorizations by the California Public Utilities Commission (CPUC), U.S. Department of Energy, California Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Administration, Los Angeles County Department of Public Health, states, cities and counties, and other regulatory and governmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction projects, including risks in obtaining or maintaining permits and other authorizations on a timely basis, risks in completing construction projects on schedule and on budget, and risks in obtaining the consent and participation of partners; the resolution of civil and criminal litigation and regulatory investigations; deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; approvals of proposed settlements or modifications of settlements; 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; 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 doctrine of inverse condemnation applies, and risk that we may not be able to recover any such costs in rates from customers in California; the risk that rulings by the CPUC such as denying recovery for wildfire damages may raise our cost of capital and materially impair our ability to finance our operations; 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; 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 any adverse impacts; actions by credit rating agencies to downgrade our credit ratings 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, and 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; and other uncertainties, some of which may be difficult to predict and are beyond our control.

Forward-looking statements also include, statements about the anticipated benefits of the proposed merger involving Sempra Energy, EFH, and EFH's 80.03 percent indirect interest in Oncor, including future financial or operating results of Sempra Energy or Oncor, Sempra Energy's, EFH's or Oncor's plans, objectives, expectations or intentions, the anticipated impact of the merger, if consummated, on the credit ratings of Sempra Energy or Oncor, the expected timing of completion of the merger, plans regarding future capital investments by Sempra Energy or Oncor, future return on equity or capital structure of Sempra Energy or Oncor, and other statements that are not historical facts. Additional factors, among others, that could cause our actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to: the risk that Sempra Energy, EFH or Oncor may be unable to satisfy all closing conditions including obtaining governmental and regulatory approvals required for the merger, or that required governmental and regulatory approvals may delay the merger or result in the imposition of conditions that could cause the parties to abandon the merger or be onerous to Sempra Energy; the risk that the merger may not be completed for other reasons, or may not be completed on the terms or timing currently contemplated; the risk that the anticipated benefits from the merger may not be fully realized or may take longer to realize than expected and that liabilities that survive the bankruptcy will be greater than we anticipate; the risk that Sempra Energy may be unable to obtain, additional permanent equity financing for the merger on favorable terms; the risk that indebtedness Sempra Energy incurs in connection with the merger may make it more difficult for Sempra Energy to repay or refinance its debt or take other actions, which may decrease business flexibility and increase borrowing costs; the diversion of management time and attention to merger-related issues; merger-related costs, whether or not the merger is completed, as well as disruptions to our business; and the risk that Oncor will eliminate or reduce its quarterly dividends due to its requirement to meet and maintain its new 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.

These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the U.S. Securities and Exchange Commission (SEC). These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on the company's website at www.sempra.com. Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of February 27, 2018, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

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

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Executive Summary

- 2017 accomplishments create foundation for successful 2018 and beyond
- 2017 adjusted earnings of $5.42[(1)] per share exceeded adjusted earnings per share guidance[(1)]
- 2018 earnings guidance affirmed at $5.30 to $5.80 per share, includes expected Oncor accretion and near-term impact of tax reform[(2)]
- 2018 annualized common dividend increased by ~9% to $3.58 per common share[(3)]
- 2018 priorities:
  - Closing Oncor transaction
  - Advancing Cameron Trains 1-3
  - Executing on California regulatory matters
  - Strengthening balance sheet

1) Sempra Energy Adjusted Earnings Per Share (EPS) and Adjusted Earnings Per Share Guidance are non-GAAP financial measures. 2017 GAAP EPS was $1.01 and 2017 GAAP Earnings Per Share Guidance range was $4.13 to $4.43 per share. See appendix for information regarding non-GAAP financial measures.
2) We are still analyzing the impacts of tax reform and our conclusions may differ materially based on further analysis, interpretive guidance, and the issuance of regulations.
3) The amount and timing of dividends payable and the dividend policy are at the sole discretion of the Sempra Energy Board of Directors and, if declared and paid, dividends may be in amounts that are less than projected.

2017 and Recent Accomplishments

Financial

- Increased adjusted guidance range twice in 2017 (February and August)
- Then, exceeded adjusted earnings guidance of $5.00 to $5.30 per share[1] as a result of higher operational earnings across all business units
- Advanced $14.2B[2] 5-year capital plan; added or filed for additional projects valued at ~$1.9B above plan

Oncor

- Announced acquisition of ~80% of Oncor to increase and diversify Sempra's earnings profile
  - Reached all-party settlement among Texas stakeholders confirming transaction is in public interest
  - Public Utility Commission of Texas (PUCT) requested a proposed order to approve transaction; expect final approval soon
- Secured financing to close transaction
  - Includes ~$4.6B[3] equity and ~$5B debt (see appendix for further equity details)

1) Sempra Energy 2017 Adjusted EPS guidance is a non-GAAP financial measure. 2017 GAAP EPS guidance range was $4.13 - $4.43. See appendix for information regarding non-GAAP financial measures.
2) $14.2B is on-balance sheet capex only. Capital to be funded by JV entities is not included in the $14.2B capital plan. Includes expenditures for investments and acquisitions.
3) Including $2.5B of common shares sold pursuant to forward sale agreements from which we have not yet received any proceeds, which can be settled by issuance of 23,364,486 shares (subject to adjustment) on or before December 15, 2019.

2017 and Recent Accomplishments (cont.)

Cameron LNG[1]

- Made substantial progress on construction and increased project productivity
- Continue to expect all three trains to produce LNG in 2019
- Reached constructive settlement agreement between Cameron LNG and EPC contractor
  - Aligns interests to focus on completing the project safely, reliably and on schedule[1]
  - Resolved all claims between the parties through the date of agreement
  - Provides incentives and penalties for construction completion
- Continued progress with partners on clearing the way for potential future expansion

CA Utilities

- Received 2-year Cost of Capital extension through 2019
- Filed 2019 General Rate Case (GRC) applications with proposed increase in rate base necessary to support continued system safety and reliability
- Reached a SONGS settlement agreement which maintains protections for our shareholders and provides benefits of ~$160M to rate payers, subject to CPUC approval

1) The ability to successfully complete major construction projects, including the Cameron LNG facility currently under construction, and the ability to expand the Cameron LNG facility beyond the three train project, is subject to a number of risks and uncertainties. Please refer to the “Risk Factors” and “Factors Influencing Future Performance” sections of our most recent Annual Report on Form 10-K.

2018 Priorities

Oncor

- Receive PUCT regulatory approval and close Oncor transaction
- Continue to deliver safe and reliable energy while maintaining high-quality customer service

Cameron

- Advance construction to have all 3 trains producing LNG in 2019
- Working on consent of Engie's ownership transfer to Total

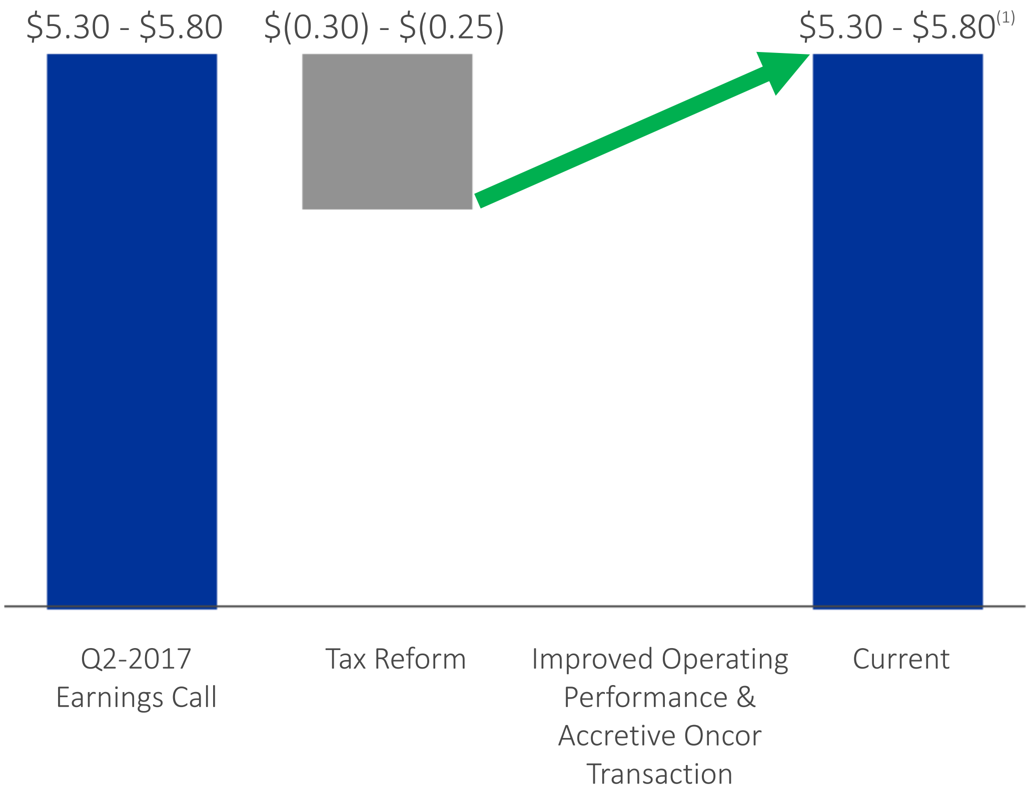
California Regulatory Matters

- Execute on comprehensive strategy to reduce California wildfire risk
  - Regulatory / Legal: Filed request for rehearing with CPUC; will appeal to California courts if denied
  - Legislative: Seek to resolve inconsistency between inverse condemnation applied by the courts and CPUC disallowance of cost recovery, as well as availability and affordability of insurance
  - Operational: Continue aggressive efforts to reduce operational risks
- Work to complete 2019 GRC in a timely manner

Balance Sheet Strength

- Analyze opportunities to strengthen balance sheet and support growth (results to be reviewed at Analyst Conference in June 2018)
  - Review capital allocation of certain assets (potential asset sales)
  - Execute repatriation plan of ~$1.6B from 2018 – 2022 with no material incremental tax expense
  - Review sources of equity financing as needed (e.g., ATM, operating cash flows)

2018 EPS Guidance



Key Guidance Updates

- Affirm 2018 EPS guidance of $5.30 to $5.80, offsetting tax reform headwind
- Tax reform has expected 2018 earnings per share impact of $(0.30) - $(0.25), long-term impact expected to be neutral[2]
- 2018 tax reform offset by expected improved operating performance and accretive Oncor transaction[3]

1) Assumes weighted average share count of 271 million shares, though the timing of the settlement of our equity forward sales agreements and future equity issuances is subject to market conditions and other factors.
2) We are still analyzing the impacts of tax reform and expectations may change materially based on further analysis, interpretive guidance, and the issuance of regulations.
3) The transaction is subject to customary closing conditions, including the approval of the PUCT, and the U.S. Bankruptcy Court of Delaware, among others.

Tax Reform – 2017 Impact[1]

	2017 Earnings Impact (Non-Cash)	Additional Commentary
21% Federal Tax Rate	$(182)M	▪ Remeasurement of existing deferred income taxes results in $182M charge ▪ Do not expect to be federal cash tax payer through next 5 years
Territorial Deemed Repatriation Tax	$(328)M	▪ Results in a $328M charge ▪ Election to use existing NOLs to offset charge preserves $328M of cash ▪ Plan to repatriate ~$1.6B from 2018 – 2022 • Deemed repatriation and other repatriation tax expense allows up to $4B[2] of repatriation (as the businesses generate cash at the local level) with no material incremental tax expense[3] • To pay down U.S. debt and strengthen credit metrics
Repatriation: U.S. State and Non-U.S. Withholding	$(360)M	▪ $360M charge[3] to cover U.S. state and foreign withholding tax expense ▪ Repatriation partially mitigates credit impact of lower utility tax sharing

- 2017 non-cash earnings charge of $(870)M
- Tax reform, particularly repatriation, improves flexibility to finance our businesses

1) These are provisional estimates and in accordance with SEC guidance may be adjusted throughout 2018 as we complete our analysis and more information becomes available.
2) The vast majority of the $4B is invested in assets. ~$500M of this is currently available in cash.
3) This liability could change as a result of various factors, such as interpretation and clarification of the Tax Cuts and Jobs Act of 2017 (TCJA) provisions, changes in foreign tax laws, foreign currency movements, the source of cash to be repatriated or adjustments to our provisional estimates.

Tax Reform – Ongoing Impact[1]

	2018 Expected Earnings Impact	2020+ Expected Earnings Impact	Additional Commentary
Overall	Negative $(0.30) - $(0.25) per share	Neutral $(0.05) - $0.05 per share	▪ Dilutive in 2018, less dilutive in 2019, expected move to neutral by 2020 and beyond[2] ▪ Further evaluation of credit impact along with capital rotation, repatriation and final Oncor financing still under review
21% Federal Tax Rate	Negative	Positive	▪ Near-term earnings adversely affected due to lower tax shield on corporate costs, primarily interest ▪ Cameron expected to provide incremental $65M - $75M benefit once producing full earnings
Territorial Tax System	Positive	Positive	▪ Charges in Q4-17 allow a total of ~$4B[3] undistributed earnings to be repatriated as available locally with no material incremental tax expense[5] ▪ Plan to repatriate ~$1.6B from 2018 – 2022
Interest Limitation[4]	Neutral	Neutral	▪ No interest deduction limitation anticipated (utilities exempt)[6] ▪ Disallowed interest can be carried forward indefinitely
Lower Tax Sharing From CA Utilities	Neutral	Negative	▪ U.S. utilities pass lower tax rate savings to customers ▪ Lower tax sharing of an average $240M per year from CA utilities over plan, reduces Funds from Operations / Debt ratio

- Evaluation of credit ongoing; efforts to strengthen balance sheet may include capital rotation, repatriation and additional equity (to be covered in detail at Analyst Conference in June)

1) We are still analyzing the impacts of tax reform and our conclusions may differ materially based on further analysis, interpretive guidance, and the issuance of regulations.
2) Expected to be dilutive $0.15 - $0.20 in 2019 and neutral in 2020.
3) The vast majority of the $4B is invested in assets. ~$500M of this is currently available in cash.
4) Based on current interpretation of the law. Future guidance, regulations and technical corrections may materially impact our ability to deduct interest. Any limitation on interest is carried forward indefinitely and can be utilized in the future as long as the 30% EBIT test is met. However, if the interest limitation is materially greater than our current computation and if there isn't future EBIT from the unregulated businesses, the limitation on the interest could result in additional income tax expense.
5) This liability could change as a result of various factors, such as interpretation and clarification of the TCJA provisions, changes in foreign tax laws, foreign currency movements, the source of cash to be repatriated or adjustments to our provisional estimates.
6) Interest largely allocated to existing businesses based on current assumptions regarding allocation among business units.

Fourth-Quarter and Full-Year 2017 Results

(Dollars, except EPS, and shares, in millions)	Three months ended December 31, 2017	Three months ended December 31, 2016	Years ended December 31, 2017	Years ended December 31, 2016
	(Unaudited)			
GAAP (Losses) Earnings	$ (501)	$ 379	$ 256	$ 1,370
Impact from the Tax Cuts and Jobs Act of 2017	870[2]	-	870[2]	-
Aliso Canyon Litigation Reserves	20	-	20	-
Write-Off of Wildfire Regulatory Asset	-	-	208	-
Remeasurement Gain on GdC Acquisition	-	-	-	(350)
Gain on Sale of EnergySouth	-	-	-	(78)
Adjustments Related to Termoeléctrica de Mexicali (TdM) Held For Sale	-	4	42	95
(Recoveries) Losses Related to Permanent Releases of Pipeline Capacity	-	-	(28)	123
Tax Repairs Adjustments Related to 2016 General Rate Case	-	-	-	80
Impairment of Investment in Rockies Express Pipeline	-	-	-	27
Adjusted Earnings[1]	$ 389	$ 383	$ 1,368	$ 1,267
Diluted weighted-average shares outstanding	253[3]	252	252	251
GAAP (Losses) Earnings Per Diluted Share	$ (1.99)[3]	$ 1.51	$ 1.01	$ 5.46
Adjusted Earnings Per Diluted Share[1]	$ 1.54	$ 1.52	$ 5.42	$ 5.05

1) Sempra Energy Adjusted Earnings and Adjusted EPS are non-GAAP financial measures. See appendix for information regarding non-GAAP financial measures and descriptions of adjustments above.
2) Impact from TCJA consists of ($28M) at SDG&E, ($2M) at SoCalGas, $133M at LNG & Midstream, $192M at Renewables, and ($1,165M) at Parent & Other.
3) For the three months ended December 31, 2017, the total weighted average number of potentially dilutive securities was 0.8 million. However, these securities were not included in the computation of GAAP losses per common share since to do so would have decreased the loss per share.

2017 Key Drivers

- $1,368M adjusted earnings[1] in 2017 compared to $1,267M adjusted earnings[1] reported in 2016; ~8%[2] increase is primarily due to strong operational earnings across our businesses, including:
  - $44M higher CPUC base operating margin, net of operating expenses, and AFUDC equity at SDG&E,
  - $24M lower losses at Sempra LNG & Midstream,
  - $16M higher earnings from PSEP and AMI at SoCalGas, and
  - $8M higher operational earnings in South America

1) Sempra Energy Adjusted Earnings is a non-GAAP financial measure. 2017 GAAP Earnings and 2016 GAAP Earnings were $256M and $1,370M, respectively. See appendix for information regarding non-GAAP financial measures.
2) Sempra Energy Adjusted Earnings percent change is a non-GAAP financial measure. YTD GAAP percent change is an 81% decrease. See appendix for information regarding non-GAAP financial measures.

Summary

- 2017 accomplishments create foundation for successful 2018 and beyond
- 2017 adjusted earnings of $5.42[1] per share exceeded adjusted earnings per share guidance[1]
- 2018 earnings guidance affirmed at $5.30 to $5.80 per share, includes expected Oncor accretion and near-term impact of tax reform[2]
- 2018 annualized common dividend increased by ~9% to $3.58 per common share[3]
- 2018 priorities:
    - Closing Oncor transaction
    - Advancing Cameron Trains 1-3
    - Executing on California regulatory matters
    - Strengthening balance sheet

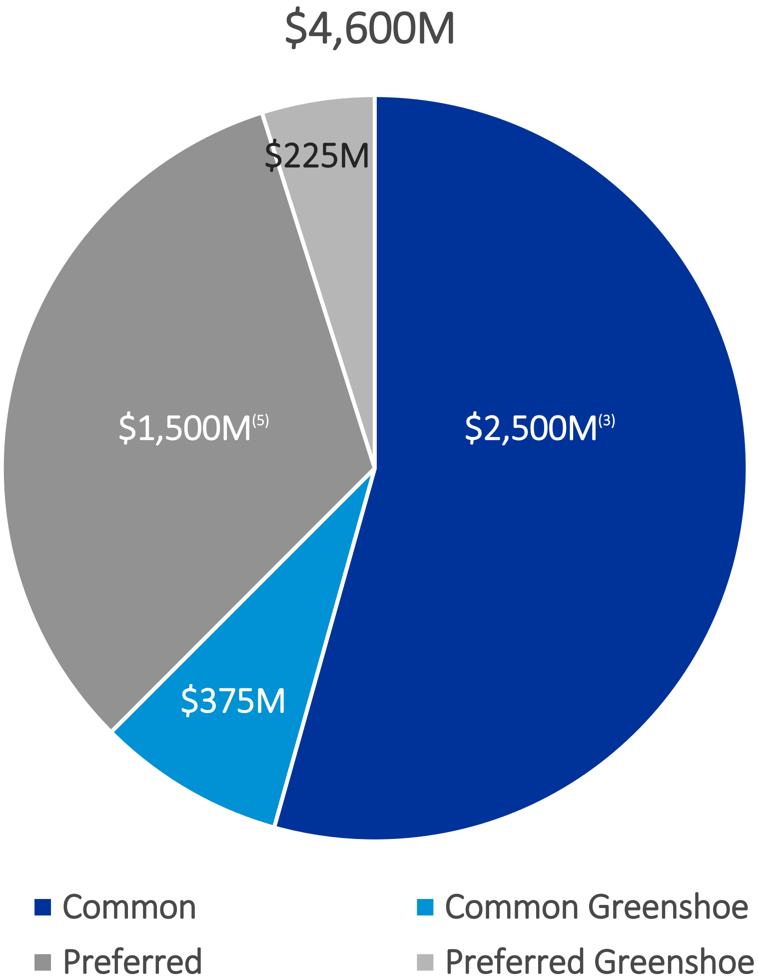
1) Sempra Energy Adjusted Earnings Per Share (EPS) and Adjusted Earnings Per Share Guidance are non-GAAP financial measures. 2017 GAAP EPS was $1.01 and 2017 GAAP Earnings Per Share Guidance range was $4.13 to $4.43 per share. See appendix for information regarding non-GAAP financial measures.
2) We are still analyzing the impacts of tax reform and our conclusions may differ materially based on further analysis, interpretive guidance, and the issuance of regulations.
3) The amount and timing of dividends payable and the dividend policy are at the sole discretion of the Sempra Energy Board of Directors and, if declared and paid, dividends may be in amounts that are less than projected.

APPENDIX

Cameron LNG Trains 1-3 Progress – January 2018[1]

1) The ability to successfully complete major construction projects, including the Cameron LNG facility currently under construction, and the ability to expand the Cameron LNG facility beyond the three train project, is subject to a number of risks and uncertainties. Please refer to the “Risk Factors” and “Factors Influencing Future Performance” sections of our most recent Annual Report on Form 10-K.

Equity Offerings: January 2018



Common Shares

- $2,500M of common shares sold via forward sale agreements and $375M greenshoe shares issued
  - $107.00 per share[(1)]
  - 26.869M shares[(2)]
    - ~3.5M greenshoe shares issued Jan-2018
    - Remaining forward shares must settle by Dec-2019[(3)]

6% Mandatory Convertible Preferred Shares, Series A

- $1,725M of mandatory convertible preferred shares issued, including greenshoe shares
  - $100.00 per share[(4)]
  - 17.250M shares, including 2.250M greenshoe shares
  - Mandatory conversion date is January 15, 2021[(5)]

1) $105.074 per share after deducting the underwriting discount.
2) Sold 23,364,486 shares of common stock, pursuant to forward sales agreements and 3,504,672 shares issued as a result of the underwriters fully exercising their option to purchase such shares from us solely to cover overallotments.
3) Expect to settle and thereby issue common stock in multiple settlements on or prior to December 15, 2019, which is the final settlement date under the forward sale agreement. At our option and in lieu of settling by physical delivery of common shares, we can net settle or settle for cash all or a portion of the shares under the forward sales agreements.
4) $98.20 per share after deducting the underwriting discount.
5) Unless earlier converted or redeemed, each share of the mandatory convertible preferred stock will automatically convert on the mandatory conversion date, which is expected to be January 15, 2021, into not less than 0.7629 and not more than 0.9345 shares of our common stock, subject to anti-dilution adjustments.

New Capital Growth Since Analyst Conference

Segment	Project	Actual / Estimated Total	Actual / Expected In-Service Date
Mexico	Los Ramones Norte increased indirect ownership from 25% to 50%	$550M[1]	Q4-2017[2]
Renewables	Great Valley Solar 200 MW	$375M – $425M[3]	1H-2018[4]
Mexico	Pima Solar 110 MW	~$115M	Q4-2018
Mexico	3 Liquids Terminals at Port of Veracruz, Puebla and Mexico City	~$275M[5]	2018 - 2019
CA Utilities	Mobile Home Park Master Meter expansion[6]	$200M – $300M	2019 - 2023
S.A. Utilities	Eletrans III transmission line in northern Chile	~$50M[7]	2021
SDG&E	Customer Information System replacement[6]	~$250M	2021+
		~$1.9B Total	

1) The acquisition is comprised of a purchased price of $165M plus the assumption of $96M short-term debt and also included here is the proportional amount of total outstanding debt in TAG Norte Holding of approximately $289M. The Los Ramones Norte pipeline outstanding debt is not consolidated in IEnova's or Sempra Energy's financial statements.
2) Project went into service in 2016. Transaction closed November 2017.
3) Before consideration of tax equity proceeds.
4) Commercial operation dates and corresponding contracted energy sales to commence in four phases. Three phases commenced in the fourth quarter of 2017 and the final phase is expected to commence in the first half of 2018.
5) Valero option to buy 50% equity at CODs, and is subject to regulatory approvals.
6) Subject to respective regulatory approvals.
7) $50M represents Sempra South American Utilities' share of capex in 50/50 JV with Sociedad Austral de Electricidad S.A. (SAESA); total expected project capex is $100M.

2018 Guidance Assumptions

Key 2018 Assumptions
California Utilities
▪ CPUC Authorized ROE (SoCalGas = 10.05% and SDG&E = 10.2%)
Oncor
▪ Assumes Oncor transaction closes in April 2018[1]
LNG & Midstream
▪ Assumes no earnings from Cameron Trains 1 - 3 in 2018
Parent & Other
▪ Includes annualized dividend increase of ~9% to $3.58 per common share[2]
▪ Includes assumed impact from tax reform
▪ Plan to repatriate ~$500M cash from Mexico and Peru, with no material incremental tax expense
▪ Weighted-average common shares outstanding 271M[3]
Natural gas prices and foreign exchange rate forecasts[4]
▪ SoCal Border Forward Curve for Natural gas prices ($/MMBTU): $2.56 in current guidance vs. $2.94 in prior guidance
▪ Mexico year-end currency exchange rate: 21.00 MXN/USD in current guidance vs. 22.99 MXN/USD in prior guidance
▪ Chile average currency exchange rate: 633 CLP/USD in current guidance vs. 678 CLP/USD in prior guidance
▪ Peru average currency exchange rate: 3.30 PEN/USD in current guidance vs. 3.52 PEN/USD in prior guidance

1) The transaction is subject to customary closing conditions, including the approval of the PUCT, and U.S. Bankruptcy Court of Delaware, among others.
2) The amount and timing of dividends payable and the dividend policy are at the sole discretion of the Sempra Energy Board of Directors and, if declared and paid, dividends may be in amounts that are less than projected.
3) Assumes weighted-average share count of 271 million common shares, though the timing of the settlement of our equity forward sales agreements and future equity issuances is subject to market conditions and other factors.
4) See Appendix slide “Rules of Thumb” for planned rates.

2018 Rules of Thumb

Key Commodity and Market Forecasts	Guidance Assumption	Change in Assumption	Approximate 2018 Forecasted Earnings Sensitivity
Natural Gas Prices[1] ($/MMBtu)	$2.56	$1.00 increase / decrease	$18M / $(18)M in Sempra LNG & Midstream
Foreign Currency Exchange Rates[2]	21.0 MXN/USD 633 CLP/USD 3.30 PEN/USD	5% appreciation / depreciation 5% appreciation / depreciation 5% appreciation / depreciation	~$(40)M / ~$40M in Mexico $3M / $(3)M in Chile $7M / $(7)M in Peru

1) Annual average SoCal Border price.
2) Source: Bloomberg forward curve at year-end for Mexico and average forecasted exchange rates from LatinFocus (December 2017) for South America. For Mexico, the earnings sensitivity excludes any offset related to inflation. For South America, earnings sensitivities reflect the translation impact on earnings and exclude foreign exchange rate impacts on tariff adjustments. In all cases, we engage in hedging activity from time to time that may limit earnings sensitivity for larger changes in currency rates than those reflected above. The rules of thumbs are applicable on a full-year basis.

APPENDIX

Business Unit Earnings

SDG&E

(Dollars in millions)	Three months ended December 31, 2017	Three months ended December 31, 2016	Years ended December 31, 2017	Years ended December 31, 2016
	(Unaudited)			
SDG&E GAAP Earnings	$ 131	$ 151	$ 407	$ 570
Impact from the Tax Cuts and Jobs Act of 2017	28	-	28	-
Write-Off of Wildfire Regulatory Asset	-	-	208	-
Tax Repairs Adjustments Related to 2016 General Rate Case	-	-	-	31
SDG&E Adjusted Earnings[1]	$ 159	$ 151	$ 643	$ 601

- Q4-2017 adjusted earnings higher primarily due to $6M higher AFUDC equity
- 2017 adjusted earnings higher primarily due to:
  - $27M higher CPUC base operating margin, net of operating expenses, and
  - $17M higher AFUDC equity

1) SDG&E Adjusted Earnings is a non-GAAP financial measure. See Appendix beginning on page 27 for information regarding non-GAAP financial measures and descriptions of adjustments above.

SoCalGas

(Dollars in millions)	Three months ended December 31,		Years ended December 31,	
	2017	2016	2017	2016
	(Unaudited)			
SoCalGas GAAP Earnings	$ 128	$ 151	$ 396	$ 349
Impact from the Tax Cuts and Jobs Act of 2017	2	-	2	-
Aliso Canyon Litigation Reserves	20	-	20	-
Tax Repairs Adjustments Related to 2016 General Rate Case	-	-	-	49
SoCalGas Adjusted Earnings(1)	$ 150	$ 151	$ 418	$ 398

- Q4-2017 adjusted earnings are in-line with Q4-2016 adjusted earnings
- 2017 adjusted earnings higher primarily due to:
  - $16M higher earnings from PSEP and AMI, and
  - $13M impairment in 2016 of development costs associated with the North-South Pipeline project

1) SoCalGas Adjusted Earnings is a non-GAAP financial measure. See Appendix beginning on page 27 for information regarding non-GAAP financial measures and a description of the adjustment above.

Sempra South American Utilities

(Dollars in millions)	Three months ended December 31, 2017	Three months ended December 31, 2016	Years ended December 31, 2017	Years ended December 31, 2016
	(Unaudited)			
Sempra South American Utilities GAAP Earnings	$ 52	$ 29	$ 186	$ 156

- Q4-2017 earnings higher primarily due to $17M higher deferred income tax expense in 2016 related to Peruvian tax reform
- 2017 earnings higher primarily due to:
  - $17M higher deferred income tax expense in 2016 related to Peruvian tax reform, and
  - $8M higher earnings from operations in Peru

Sempra Mexico[1]

(Dollars in millions)	Three months ended December 31, 2017	Three months ended December 31, 2016	Years ended December 31, 2017	Years ended December 31, 2016
	(Unaudited)			
Sempra Mexico GAAP Earnings	$ 64	$ 56	$ 169	$ 463
Remeasurement Gain on GdC Acquisition	-	-	-	(350)
Adjustments Related to Termoeléctrica de Mexicali (TdM) Held For Sale	-	4	42	95
Sempra Mexico Adjusted Earnings[2]	$ 64	$ 60	$ 211	$ 208

- Q4-2017 adjusted earnings are in-line with Q4-2016 adjusted earnings[3]
- 2017 adjusted earnings are in-line with 2016 adjusted earnings including:
  - $48M higher operational earnings from transportation due to the GdC acquisition, net of related interest, and other pipeline assets placed in service and from the renewables businesses, also net of related interest primarily due to the Ventika acquisition in December 2016, partially offset by
  - $29M lower earnings due to FX and inflation effects, net of hedge impact[3], and
  - $14M higher income tax expense in 2017

1) All variance explanations are shown after noncontrolling interests.
2) Sempra Mexico Adjusted Earnings is a non-GAAP financial measure. See Appendix beginning on page 27 for information regarding non-GAAP financial measures and descriptions of the adjustments above.
3) See Appendix for further details on foreign currency exposure.

Sempra LNG & Midstream

(Dollars in millions)	Three months ended December 31, 2017	Three months ended December 31, 2016	Years ended December 31, 2017	Years ended December 31, 2016
	(Unaudited)			
Sempra LNG & Midstream GAAP Earnings (Losses)	$ 126	$ (3)	$ 150	$ (107)
Impact from the Tax Cuts and Jobs Act of 2017	(133)	-	(133)	-
Impairment of Investment in Rockies Express Pipeline	-	-	-	27
Gain on Sale of EnergySouth	-	-	-	(78)
(Recoveries) Losses Related to Permanent Releases of Pipeline Capacity	-	-	(28)	123
Sempra LNG & Midstream Adjusted Losses[1]	$ (7)	$ (3)	$ (11)	$ (35)

- Q4-2017 adjusted losses are in-line with Q4-2016
- 2017 adjusted losses lower primarily due to:
  - $40M higher losses from midstream activities in 2016, partially offset by
  - $17M lower earnings due to the sale of our investment in REX and sale of EnergySouth in 2016

1) Sempra LNG & Midstream Adjusted Losses is a non-GAAP financial measure. See Appendix beginning on page 27 for information regarding non-GAAP financial measures and descriptions of adjustments above.

Sempra Renewables

(Dollars in millions)	Three months ended December 31, 2017	Three months ended December 31, 2016	Years ended December 31, 2017	Years ended December 31, 2016
	(Unaudited)			
Sempra Renewables GAAP Earnings	$ 203	$ 12	$ 252	$ 55
Impact from the Tax Cuts and Jobs Act of 2017	(192)	-	(192)	-
Sempra Renewables Adjusted Earnings(1)	$ 11	$ 12	$ 60	$ 55

- Q4-2017 and FY-2017 adjusted earnings are in-line with Q4-2016 and FY-2016 adjusted earnings, respectively

1) Sempra Renewables Adjusted Earnings is a non-GAAP financial measure. See Appendix beginning on page 27 for information regarding non-GAAP financial measures and descriptions of adjustments above.

APPENDIX

Non-GAAP Financial Measures

Adjusted Earnings and Adjusted Earnings Per Share (Unaudited) (1 of 7)

Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share (unaudited) exclude items (after the effects of income taxes and, if applicable, noncontrolling interests) in 2017 and 2016 as follows:

In the three months ended December 31, 2017:
- $(870) million income tax expense from the impact of the Tax Cuts and Jobs Act of 2017 (TCJA)
- $(20) million associated with Aliso Canyon litigation reserves at SoCalGas

In the three months ended December 31, 2016:
- $(4) million deferred income tax expense on Termoeléctrica de Mexicali (TdM) assets held for sale at Sempra Mexico

In the year ended December 31, 2017:
- $(870) million income tax expense from the impact of the TCJA
- $(208) million write-off of wildfire regulatory asset at SDG&E
- $(47) million impairment of TdM assets held for sale
- $(20) million associated with Aliso Canyon litigation reserves
- $5 million deferred income tax benefit on the TdM assets held for sale
- $28 million of recoveries related to 2016 permanent releases of pipeline capacity at Sempra LNG & Midstream

In the year ended December 31, 2016:
- $350 million noncash gain from the remeasurement of our equity method investment in IEnova Pipelines (formerly Gasoductos de Chihuahua or GdC), a 50-50 joint venture between our Mexican subsidiary, IEnova, and Petróleos Mexicanos (PEMEX), in connection with IEnova's September 2016 acquisition of PEMEX's 50-percent interest in GdC
- $78 million gain at Sempra LNG & Midstream on the September 2016 sale of EnergySouth Inc., the parent company of Mobile Gas and Willmut Gas
- $(123) million losses from the permanent releases of pipeline capacity at Sempra LNG & Midstream
- $(80) million adjustments related to tax repairs deductions reallocated to ratepayers as a result of the 2016 General Rate Case Final Decision (2016 GRC FD) at the California Utilities
- $(27) million impairment charge related to Sempra LNG & Midstream's investment in Rockies Express Pipeline LLC (Rockies Express)
- $(90) million impairment of TdM assets held for sale
- $(5) million deferred income tax expense related to our decision to hold TdM for sale

Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States of America). Because of the significance and/or nature of the excluded items, management believes that these non-GAAP financial measures provide a meaningful comparison of the performance of Sempra Energy's business operations from 2017 to 2016 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table on the following page reconciles for historical periods these non-GAAP financial measures to Sempra Energy GAAP (Losses) Earnings and GAAP Diluted (Losses) Earnings Per Common Share, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

Adjusted Earnings and Adjusted Earnings Per Share (Unaudited) (2 of 7)

(Dollars in millions, except per share amounts)	Pretax amount	Income tax expense (benefit)(1)	Non-controlling interests	(Losses) Earnings	Pretax amount	Income tax expense (benefit)(1)	Non-controlling interests	Earnings
	Three months ended December 31, 2017				Three months ended December 31, 2016			
Sempra Energy GAAP (Losses) Earnings				$ (501)				$ 379
Excluded items:								
Impact from the TCJA	$ -	$ 870	$ -	870	$ -	$ -	$ -	-
Aliso Canyon litigation reserves	20	-	-	20	-	-	-	-
Deferred income tax expense associated with TdM	-	-	-	-	-	7	(3)	4
Sempra Energy Adjusted Earnings				$ 389				$ 383
Diluted (losses) earnings per common share:								
Sempra Energy GAAP (Losses) Earnings				$ (1.99) (2)				$ 1.51
Sempra Energy Adjusted Earnings				$ 1.54 (2)				$ 1.52
Weighted-average number of shares outstanding, diluted (thousands)				252,725				251,611
	Year ended December 31, 2017				Year ended December 31, 2016			
Sempra Energy GAAP Earnings				$ 256				$ 1,370
Excluded items:								
Impact from the TCJA	$ -	$ 870	$ -	870	$ -	$ -	$ -	-
Write-off of wildfire regulatory asset	351	(143)	-	208	-	-	-	-
Impairment of TdM assets held for sale	71	-	(24)	47	131	(20)	(21)	90
Aliso Canyon litigation reserves	20	-	-	20	-	-	-	-
Deferred income tax (benefit) expense associated with TdM	-	(8)	3	(5)	-	8	(3)	5
Recoveries related to 2016 permanent releases of pipeline capacity	(47)	19	-	(28)	-	-	-	-
Remeasurement gain in connection with GdC acquisition	-	-	-	-	(617)	185	82	(350)
Gain on sale of EnergySouth	-	-	-	-	(130)	52	-	(78)
Permanent releases of pipeline capacity	-	-	-	-	206	(83)	-	123
SDG&E tax repairs adjustments related to 2016 GRC FD	-	-	-	-	52	(21)	-	31
SoCalGas tax repairs adjustments related to 2016 GRC FD	-	-	-	-	83	(34)	-	49
Impairment of investment in Rockies Express	-	-	-	-	44	(17)	-	27
Sempra Energy Adjusted Earnings				$ 1,368				$ 1,267
Diluted earnings per common share:								
Sempra Energy GAAP Earnings				$ 1.01				$ 5.46
Sempra Energy Adjusted Earnings				$ 5.42				$ 5.05
Weighted-average number of shares outstanding, diluted (thousands)				252,300				251,155
% Decrease in YTD 2017 GAAP Earnings compared to YTD 2016 GAAP Earnings				(81)%				
% Increase in YTD 2017 Adjusted Earnings compared to YTD 2016 Adjusted Earnings				8%				

(1) Income taxes were calculated based on applicable statutory tax rates, except for adjustments that are solely income tax. Income taxes on the impairment of TdM were calculated based on the applicable statutory tax rate, including translation from historic to current exchange rates. An income tax benefit of $12 million associated with the 2017 impairment has been fully reserved.

(2) The total weighted average number of potentially dilutive securities was 0.8 million. However, these securities were not included in the computation of GAAP losses per common share since to do so would have decreased the loss per share.

Adjusted Earnings and Adjusted Earnings Per Share (Unaudited) (3 of 7)

SDG&E Adjusted Earnings (unaudited) excludes items (after the effect of income taxes) in 2017 and 2016 as follows:

In the three months ended December 31, 2017:

- $(28) million income tax expense from the impact of the TCJA

In the year ended December 31, 2017:

- $(28) million income tax expense from the impact of the TCJA
- $(208) million write-off of wildfire regulatory asset

In the year ended December 31, 2016:

- $(31) million adjustments related to tax repairs deductions reallocated to ratepayers as a result of the 2016 GRC FD

SDG&E Adjusted Earnings is a non-GAAP financial measure. Because of the significance and/or nature of the excluded items, management believes that this non-GAAP financial measure provides a meaningful comparison of the performance of SDG&E's business operations from 2017 to 2016 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods this non-GAAP financial measure to SDG&E GAAP Earnings, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

	Pretax amount	Income tax expense (benefit)(1)	Earnings	Pretax amount	Income tax (benefit)(1)	Earnings
(Dollars in millions)	Three months ended December 31, 2017			Three months ended December 31, 2016		
SDG&E GAAP Earnings			$ 131			$ 151
Excluded item:						
Impact from the TCJA	$ -	$ 28	28	$ -	$ -	-
SDG&E Adjusted Earnings			$ 159			$ 151
	Year ended December 31, 2017			Year ended December 31, 2016		
SDG&E GAAP Earnings			$ 407			$ 570
Excluded items:						
Impact from the TCJA	$ -	$ 28	28	$ -	$ -	-
Write-off of wildfire regulatory asset	351	(143)	208	-	-	-
Tax repairs adjustments related to 2016 GRC FD	-	-	-	52	(21)	31
SDG&E Adjusted Earnings			$ 643			$ 601

(1) Income taxes were calculated based on applicable statutory tax rates, except for adjustments that are solely income tax.

Adjusted Earnings and Adjusted Earnings Per Share (Unaudited) (4 of 7)

<u>**SoCalGas Adjusted Earnings (unaudited) excludes items (after the effect of income taxes) in 2017 and 2016 as follows:**</u>

In the three months ended December 31, 2017:

- $(2) million income tax expense from the impact of the TCJA
- $(20) million associated with Aliso Canyon litigation reserves

In the year ended December 31, 2017:

- $(2) million income tax expense from the impact of the TCJA
- $(20) million associated with Aliso Canyon litigation reserves

In the year ended December 31, 2016:

- $(49) million adjustments related to tax repairs deductions reallocated to ratepayers as a result of the 2016 GRC FD

SoCalGas Adjusted Earnings is a non-GAAP financial measure. Because of the significance and/or nature of the excluded items, management believes that this non-GAAP financial measure provides a meaningful comparison of the performance of SoCalGas' business operations from 2017 to 2016 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods this non-GAAP financial measure to SoCalGas GAAP Earnings, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

	Pretax amount	Income tax expense(1)	Earnings	Pretax amount	Income tax (benefit)(1)	Earnings
(Dollars in millions)	Three months ended December 31, 2017			Three months ended December 31, 2016		
SoCalGas GAAP Earnings			$ 128			$ 151
Excluded items:						
Impact from the TCJA	$ -	$ 2	2	$ -	$ -	-
Aliso Canyon litigation reserves	20	-	20	-	-	-
SoCalGas Adjusted Earnings			$ 150			$ 151
	Year ended December 31, 2017			Year ended December 31, 2016		
SoCalGas GAAP Earnings			$ 396			$ 349
Excluded items:						
Impact from the TCJA	$ -	$ 2	2	$ -	$ -	-
Aliso Canyon litigation reserves	20	-	20	-	-	-
Tax repairs adjustments related to 2016 GRC FD	-	-	-	83	(34)	49
SoCalGas Adjusted Earnings			$ 418			$ 398

(1) Income taxes were calculated based on applicable statutory tax rates, except for adjustments that are solely income tax.

Adjusted Earnings and Adjusted Earnings Per Share (Unaudited) (5 of 7)

Sempra Mexico Adjusted Earnings (unaudited) excludes items (after the effect of income taxes and noncontrolling interests) in 2017 and 2016 as follows :

In the three months ended December 31, 2016:

- $(4) million deferred income tax expense on TdM assets held for sale

In the year ended December 31, 2017:

- $(47) million impairment of TdM assets held for sale
- $5 million deferred income tax benefit on the TdM assets held for sale

In the year ended December 31, 2016:

- $350 million noncash gain from the remeasurement of our equity method investment in IEnova Pipelines, a 50-50 joint venture between our Mexican subsidiary, IEnova, and PEMEX, in connection with IEnova's September 2016 acquisition of PEMEX's 50-percent interest in GdC
- $(90) million impairment of TdM assets held for sale
- $(5) million deferred income tax expense related to our decision to hold TdM for sale

Sempra Mexico Adjusted Earnings is a non-GAAP financial measure. Because of the significance and/or nature of the excluded items, management believes that this non-GAAP financial measure provides a meaningful comparison of the performance of Sempra Mexico's business operations from 2017 to 2016 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods this non-GAAP financial measure to Sempra Mexico GAAP Earnings, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

(Dollars in millions)	Pretax amount	Income tax (benefit)[1]	Non-controlling interests	Earnings	Pretax amount	Income tax expense (benefit)[1]	Non-controlling interests	Earnings
	Three months ended December 31, 2017				Three months ended December 31, 2016			
Sempra Mexico GAAP Earnings				$ 64				$ 56
Excluded item:								
Deferred income tax expense associated with TdM	$ -	$ -	$ -	-	$ -	$ 7	$ (3)	4
Sempra Mexico Adjusted Earnings				$ 64				$ 60
	Year ended December 31, 2017				Year ended December 31, 2016			
Sempra Mexico GAAP Earnings				$ 169				$ 463
Excluded items:								
Impairment of TdM assets held for sale	$ 71	$ -	$ (24)	47	$ 131	$ (20)	$ (21)	90
Deferred income tax (benefit) expense associated with TdM	-	(8)	3	(5)	-	8	(3)	5
Remeasurement gain in connection with GdC acquisition	-	-	-	-	(617)	185	82	(350)
Sempra Mexico Adjusted Earnings				$ 211				$ 208

(1) Income taxes were calculated based on applicable statutory tax rates, except for adjustments that are solely income tax. Income taxes on the impairment of TdM were calculated based on the applicable statutory tax rate, including translation from historic to current exchange rates. An income tax benefit of $12 million associated with the 2017 impairment has been fully reserved.

Adjusted Earnings and Adjusted Earnings Per Share (Unaudited) (6 of 7)

Sempra LNG & Midstream Adjusted Losses (unaudited) excludes items (after the effect of income taxes) in 2017 and 2016 as follows:

In the three months ended December 31, 2017:
- $133 million income tax benefit from the impact of the TCJA

In the year ended December 31, 2017:
- $133 million income tax benefit from the impact of the TCJA
- $28 million of recoveries related to 2016 permanent releases of pipeline capacity

In the year ended December 31, 2016:
- $78 million gain on the September 2016 sale of EnergySouth Inc., the parent company of Mobile Gas and Willmut Gas
- $(123) million losses from the permanent releases of pipeline capacity
- $(27) million impairment charge related to our investment in Rockies Express

Sempra LNG & Midstream Adjusted Losses is a non-GAAP financial measure. Because of the significance and/or nature of the excluded items, management believes that this non-GAAP financial measure provides a meaningful comparison of the performance of Sempra LNG & Midstream's business operations from 2017 to 2016 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods this non-GAAP financial measure to Sempra LNG & Midstream GAAP Earnings (Losses), which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

	Pretax amount	Income tax (benefit)(1)	Earnings	Pretax amount	Income tax expense (benefit)(1)	Earnings
(Dollars in millions)	Three months ended December 31, 2017			Three months ended December 31, 2016		
Sempra LNG & Midstream GAAP Earnings (Losses)			$ 126			$ (3)
Excluded item:						
Impact from the TCJA	$ -	$ (133)	(133)	$ -	$ -	-
Sempra LNG & Midstream Adjusted Losses			$ (7)			$ (3)
	Year ended December 31, 2017			Year ended December 31, 2016		
Sempra LNG & Midstream GAAP Earnings (Losses)			$ 150			$ (107)
Excluded items:						
Impact from the TCJA	$ -	$ (133)	(133)	$ -	$ -	-
Recoveries related to 2016 permanent releases of pipeline capacity	(47)	19	(28)	-	-	-
Gain on sale of EnergySouth	-	-	-	(130)	52	(78)
Permanent releases of pipeline capacity	-	-	-	206	(83)	123
Impairment of investment in Rockies Express	-	-	-	44	(17)	27
Sempra LNG & Midstream Adjusted Losses			$ (11)			$ (35)

(1) Income taxes were calculated based on applicable statutory tax rates, except for adjustments that are solely income tax.

Adjusted Earnings and Adjusted Earnings Per Share (Unaudited) (7 of 7)

Sempra Renewables Adjusted Earnings (unaudited) excludes items in 2017 as follows:

In the three months ended December 31, 2017:
- $192 million income tax benefit from the impact of the TCJA

In the year ended December 31, 2017:
- $192 million income tax benefit from the impact of the TCJA

Sempra Renewables Adjusted Earnings is a non-GAAP financial measure. Because of the significance and/or nature of the excluded items, management believes that this non-GAAP financial measure provides a meaningful comparison of the performance of Sempra Renewables' business operations from 2017 to 2016 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods this non-GAAP financial measure to Sempra Renewables GAAP Earnings, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

	Pretax amount	Income tax (benefit)[1]	Earnings	Pretax amount	Income tax expense[1]	Earnings
(Dollars in millions)	Three months ended December 31, 2017			Three months ended December 31, 2016		
Sempra Renewables GAAP Earnings			$ 203			$ 12
Excluded item:						
Impact from the TCJA	$ -	$ (192)	(192)	$ -	$ -	-
Sempra Renewables Adjusted Earnings			$ 11			$ 12
	Year ended December 31, 2017			Year ended December 31, 2016		
Sempra Renewables GAAP Earnings			$ 252			$ 55
Excluded item:						
Impact from the TCJA	$ -	$ (192)	(192)	$ -	$ -	-
Sempra Renewables Adjusted Earnings			$ 60			$ 55

(1) Income taxes were calculated based on applicable statutory tax rates, except for adjustments that are solely income tax.

2017 Adjusted Earnings-Per-Share Guidance Range (Unaudited)

<u>Sempra Energy 2017 Adjusted Earnings-Per-Share (EPS) Guidance Range (unaudited) excludes items (after the effect of income taxes) in 2017 and 2016 as follows:</u>

- $(208) million write-off of wildfire regulatory asset at SDG&E
- $(47) million impairment of Sempra Mexico's Termoeléctrica de Mexicali (TdM) assets held for sale
- $28 million of recoveries related to 2016 permanent releases of pipeline capacity at Sempra LNG & Midstream
- $5 million deferred income tax benefit on the TdM assets held for sale

Sempra Energy 2017 Adjusted EPS Guidance is a non-GAAP financial measure. Because of the significance and nature of the excluded items, management believes this non-GAAP financial measure provides additional clarity into the ongoing results of the business and the comparability of such results to prior and future periods. Sempra Energy 2017 Adjusted Earnings-Per-Share Guidance should not be considered an alternative to diluted EPS guidance determined in accordance with GAAP. The table below reconciles Sempra Energy 2017 Adjusted EPS Guidance Range to Sempra Energy 2017 GAAP EPS Guidance Range, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

	Full Year 2017		
Sempra Energy GAAP EPS Guidance Range (1)	$ 4.13	to	$ 4.43
Excluded Items:			
Write-off of wildfire regulatory asset	0.82		0.82
Impairment of TdM assets held for sale	0.18		0.18
Recoveries related to 2016 permanent releases of pipeline capacity	(0.11)		(0.11)
Deferred income tax benefit associated with TdM	(0.02)		(0.02)
Total Adjustments	0.87		0.87
Sempra Energy Adjusted EPS Guidance Range (1)	$ 5.00	to	$ 5.30

1) Sempra Energy GAAP EPS Guidance Range and Sempra Energy Adjusted EPS Guidance Range are calculated using a weighted average number of shares (diluted) of 254 million. The effects of taxes and noncontrolling interests for excluded items are provided on slide 29 in the reconciliation of Sempra Energy GAAP Earnings to Sempra Energy Adjusted Earnings.

Sempra Energy®