



# First Quarter 2014 Earnings Results

May 2, 2014



# Information Regarding Forward-Looking Statements

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# Agenda

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- Q1-14 Financial Results
- Business Updates
  - Cameron Liquefaction
  - Sempra Mexico
  - U.S. Gas & Power
- California Regulatory Update
  - SONGS Settlement
  - PSEP Proposed Decision

# First Quarter 2014 Results

<i>(Unaudited; dollars, except EPS, and shares in millions)</i>	Three months ended March 31,	
	2014	2013
GAAP Earnings	\$ 247	\$ 178
Revision to Loss on SONGS Plant Closure <sup>(1)</sup>	9	-
Adjusted Earnings <sup>(2)</sup>	\$ 256	\$ 178
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Diluted weighted-average shares outstanding	250	248
GAAP EPS	\$ 0.99	\$ 0.72
Adjusted EPS <sup>(2)</sup>	\$ 1.03	\$ 0.72

- Strong Q1-14 performance with \$256 million of adjusted earnings, excluding the \$9 million revision to the loss on SONGS plant closure
- Q1-13 earnings impacted by delay in rate case at CA utilities (\$29 million) and other items including tax expense related to IEnova IPO (\$63 million) and gain on sale of a portion of the Mesquite Power plant (\$44 million)

# SDG&E

<i>(Unaudited, dollars in millions)</i>	Three months ended	
	March 31,	
	2014	2013
SDG&E GAAP Earnings	\$ 99	\$ 91
Revision to Loss on SONGS Plant Closure	9	-
SDG&E Adjusted Earnings <sup>(1)</sup>	\$ 108	\$ 91

- SDG&E adjusted earnings up due to:
  - \$17 million lower earnings in Q1-13 from delay in rate case
    - ▶ The \$17 million was recorded in Q2-13 as a retroactive benefit
  - \$4 million higher CPUC base margin and improved operational results, which largely offset \$6 million of lower earnings from both the reduced FERC-authorized return and loss of SONGS ratebase earnings

# SoCalGas

<i>(Unaudited, dollars in millions)</i>	Three months ended	
	March 31,	
	2014	2013
SoCalGas Earnings	\$ 78	\$ 46

- SoCalGas earnings higher due to:
  - \$12 million lower earnings in Q1-13 from delay in rate case
    - ▶ The \$12 million was recorded in Q2-13 as a retroactive benefit
  - \$11 million higher CPUC base margin and improved operational results in Q1-14
  - \$3 million gas pipeline integrity expenses in Q1-13 that were not recovered in rates that quarter
    - ▶ These expenses were recovered in Q2-13 with the rate case decision and ongoing costs are now fully balanced

# Sempra International

<i>(Unaudited, dollars in millions)</i>	Three months ended	
	March 31,	
	2014	2013
Sempra South American Utilities	\$ 35	\$ 37
Sempra Mexico	42	31
Sempra International Earnings	\$ 77	\$ 68

- Q1-14 South America earnings impacted by:
  - \$7 million lower earnings from foreign currency effects and inflationary impact on local bond rate
  - Q1-13 earnings included \$7 million impairment on Argentine investments
- Q1-14 Mexico earnings higher due to:
  - \$10 million lower income tax expense, including foreign currency effects in 2013
  - \$9 million from gas pipeline AFUDC equity earnings; offset by
  - \$9 million lower earnings due to noncontrolling interests at IEnova

# Sempra U.S. Gas & Power

<i>(Unaudited, dollars in millions)</i>	Three months ended March 31,	
	2014	2013
Sempra Natural Gas	\$ 9	\$ 53
Sempra Renewables	28	4
Sempra U.S. Gas & Power Earnings	<u>\$ 37</u>	<u>\$ 57</u>

- Q1-14 Natural Gas earnings lower due primarily to a \$44 million gain on the sale of a portion of the Mesquite Power plant in Q1-13
- Renewables earnings higher from:
  - \$16 million gain from the sale of a 50% interest in Copper Mountain Solar 3 in Q1-14
  - Higher deferred income tax benefits, due primarily to a \$5 million reduction of tax grant benefits in Q1-13 as a result of the federal budget sequestration



# Business Updates

- Cameron liquefaction on track to begin construction this year<sup>(1)</sup>
  - Signed lump-sum, turn-key EPC<sup>(2)</sup> contract on March 17, 2014
  - Received Final FERC Environmental Impact Statement on April 30, 2014
  
- Sempra Mexico
  - Mexican government announced over \$4 billion of infrastructure bids for this summer
    - ▶ Potential opportunities for both IEnova and U.S. Gas & Power
  - IEnova announced partnership agreement for ESJ<sup>(3)</sup> wind generation project
  
- U.S. Gas & Power
  - Completed sale of 50% of Copper Mountain Solar 3 facility to ConEd
  - Agreed to invest in a 50% interest in ConEd's 110MW California solar portfolio
  - REX Pipeline: binding financial commitments for 1.2 bcf/d of east-to-west capacity at a rate of \$0.50/Dth for 20 years
    - ▶ Filed with FERC to expand Seneca lateral capacity to 600,000 Dth/d

# California Regulatory Update

- SONGS Settlement
  - SDG&E and Southern California Edison reached settlement agreement with key parties on March 27, 2014
  - Resolves all outstanding cost issues and results in incremental \$9 million after-tax loss for a total recorded impairment of \$128 million
  - Provides sharing mechanism for third party recoveries
  - Subject to CPUC approval expected 2H-14
- PSEP Proposed Decision issued April 15, 2014
  - If adopted in its current form, the proposed decision would include:
    - ▶ Approval of the utilities' model for implementing PSEP
    - ▶ Approval of a process for determining cost recovery and balancing account treatment, subject to a reasonableness review
  - SoCalGas and SDG&E seeking additional clarification and plan to file comments by May 5, 2014

# Summary

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- Earnings on track to meet 2014 EPS guidance of \$4.25 to \$4.55
  - Several large projects in Mexico and Peru on budget and on schedule to come online in 2H-14
  
- California utilities making headway in resolving SONGS issues and moving toward a final decision on PSEP
  
- Continued progress on major projects
  - Cameron liquefaction on track to begin construction this year
  - Potential for IEnova and U.S. Gas & Power to participate in new pipeline bids from Mexican government
  - Additional partnership agreements for renewables
  - East-to-west service on REX pipeline



# Appendix



# Non-GAAP Financial Measures

**Sempra Energy Consolidated:** Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share for the quarter ended March 31, 2014 excluding a \$9 million charge (\$0.04 per diluted share) to adjust the total loss from plant closure (in addition to the amount recorded in the second quarter of 2013) associated with the investment in the San Onofre Nuclear Generating Station (SONGS) based upon a proposed settlement agreement filed with the California Public Utilities Commission in April 2014 are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States). Because of the significance and nature of this charge, management believes that these non-GAAP financial measures provide a more meaningful comparison of the performance of Sempra Energy's business operations from 2014 to 2013 and to future periods, and also as a base for projection of future compounded annual growth rate.

**San Diego Gas & Electric Company (SDG&E):** SDG&E Adjusted Earnings for the quarter ended March 31, 2014 excluding a \$9 million charge to adjust the loss from SONGS plant closure is a non-GAAP financial measure. Because of the significance and nature of this charge, management believes that this non-GAAP financial measure provides a more meaningful comparison of the performance of SDG&E's business operations from 2014 to 2013 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. Slides 4 and 5 of this presentation and Table A of our financial tables in our first-quarter 2014 earnings press release reconcile these non-GAAP financial measures to Sempra Energy Earnings and Diluted Earnings Per Common Share and SDG&E Earnings, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP. Our first-quarter 2014 earnings press release is available in the News section of our website at [www.sempra.com](http://www.sempra.com).

# Mexican Project Summary

Name	Ultimate Ownership Interest	Length of Pipeline (km)	Design Capacity	Expected Full COD	Contract Term (yrs)	Planned CapEx (\$ in millions)
<b>IN DEVELOPMENT</b>						
Sonora Pipeline Phase 1	100%	505	770 MMcfd	2H-14	25	~\$500
Los Ramones Phase 1	50% <sup>(1)</sup>	110	2,100 MMcfd	2H-14	25	\$450-\$550
Ethane Pipeline	50% <sup>(1)</sup>	226	152 MMcfd	1H-15	21	\$330
Energía Sierra Juárez	50%	NA	155 MW <sup>(2)</sup>	1H-15	20	\$300 <sup>(5)</sup>
Los Ramones Norte	25% <sup>(1)</sup>	440	1,400 MMcfd	2H-15	25	\$1,000
Sonora Pipeline Phase 2	100%	330	510 MMcfd	2H-16	25	~\$500
<b>IN OPERATION</b>						
Guadalajara LPG Terminal	50% <sup>(1)</sup>	NA	80,000 Bbl <sup>(3)</sup>	Dec-13	15	
Samalayuca Pipeline	50% <sup>(1)</sup>	37	272 MMcfd	Dec-97	Annual	
Baja West Pipeline System	100%	45	940 MMcfd	Jun-00	20	
Baja East Pipeline System	100%	302	3,450 MMcfd <sup>(4)</sup>	Aug-02	20	
Aguaprieta Pipeline	100%	13	200 MMcfd	Nov-02	25	
San Fernando Pipeline	50% <sup>(1)</sup>	114	1,000 MMcfd	Nov-03	20	
TDF Pipeline and Terminal	50% <sup>(1)</sup>	190	30,000 Bbl <sup>(3)</sup>	Dec-07	20	
Energía Costa Azul	100%	NA	1 Bcf/d	May-08	20	

# Renewable Project Summary

Name	Location	MW	PPA Term (yrs)	Tax Credits	Expected Full COD
<b>CONTRACTED/UNDER CONSTRUCTION</b>					
Broken Bow 2 Wind	Nebraska	38 MW <sup>(1)</sup>	25	PTC	2014
Copper Mountain Solar 2 (2 <sup>nd</sup> Phase)	Nevada	29 MW (50%)	25	ITC	2015
Copper Mountain Solar 3	Nevada	125 MW (50%)	20	ITC	2015
<b>IN OPERATION</b>					
Fowler Ridge 2 Wind	Indiana	100 MW (50%)	20	PTC	2009
Copper Mountain Solar 1	Nevada	58 MW	20	ITC	2010
Cedar Creek 2 Wind	Colorado	125 MW (50%)	25	PTC	2011
Flat Ridge 2 Wind	Kansas	235 MW (50%)	20 - 25	PTC	2012
Mehoopany Wind	Pennsylvania	71 MW (50%)	20	PTC	2012
Mesquite Solar 1	Arizona	75 MW (50%)	20	Grant	2012
Copper Mountain Solar 2 (1 <sup>st</sup> Phase)	Nevada	46 MW (50%)	25	Grant	2012
Auwahi Wind	Hawaii	11 MW (50%)	20	Grant	2012