Sempra Energy Announces Increased 2000 Earnings

New Businesses Continue to Grow, SDG&E Files to Manage Undercollected Power Costs

SAN DIEGO, Jan. 25, 2001 - Sempra Energy (NYSE: SRE) today reported unaudited 2000 earnings of $429 million, or $2.06 per diluted share, compared with $394 million, or $1.66 per diluted share, for the year 1999. Excluding business combination costs, 1999 earnings were $408 million, or $1.72 per diluted share.

Sempra Energy reported unaudited fourth-quarter 2000 earnings of $95 million, or $0.47 per diluted share, compared with $105 million, or $0.44 per diluted share, for the fourth quarter of 1999.

The higher earnings for the year were due primarily to improved results in the company's energy trading, generation and international operations. Earnings per share rose as a result of this business growth and the tender-offer repurchase of 36 million shares in the first quarter of 2000. The weighted average number of common shares outstanding (diluted) in 2000 decreased to 208.3 million from 237.6 million in 1999.

Revenues for Sempra Energy increased 30 percent to $7 billion in the full-year 2000, compared with $5.4 billion in 1999. Included, in 2000, $447 million of accrued but uncollected revenue resulting from a temporary cap on electric rates of San Diego Gas & Electric (SDG&E).

"These results demonstrate our continued success in implementing our corporate strategy of growing our unregulated energy-service businesses," said Stephen L. Baum, chairman, president and chief executive officer of Sempra Energy. "These businesses made an increasing contribution to earnings in 2000 and represent important long-term growth opportunities for Sempra Energy.

"At the same time, our California regulated utilities and their customers are facing higher wholesale electricity and natural gas costs, and problems with California's flawed deregulation plan, as well as the broken wholesale electricity market."

Energy Delivery Services

Net income for SDG&E for the full year 2000 decreased to $145 million, compared to $193 million in the previous year. The primary reason for the decrease was an after-tax charge of 15 cents per share in the third quarter 2000, due to recent legislative and regulatory actions.

For the fourth quarter 2000, SDG&E reported net income of $38 million, compared to $35 million from the same period in 1999.

"State law currently subjects SDG&E to a retail rate cap, under which it charges customers far less for power than it costs the utility in the wholesale market, deferring the uncollected balance for future recovery in customer rates," Baum said. "No business can continue indefinitely under this formula."

Yesterday, SDG&E announced several measures intended to help it preserve its financial health and manage the utility's growing undercollection of the costs of purchasing electricity for customers.

The measures included an application to the California Public Utilities Commission (CPUC) yesterday to implement a 2.3-cents-per-kilowatt-hour (kWh) surcharge on customer rates. If approved, the surcharge would help the company avoid the financial problems experienced by California's other two large investor-owned electric utilities. The rate surcharge is intended to manage the utility's growing undercollection of the costs of purchasing electricity for customers and provide for the amortization of these costs in customer rates.

Southern California Gas Company net income for the full-year 2000 rose to $206 million, compared with $200 million in 1999. The increase was due primarily to the sale of shares of Plug Power, a residential-fuel cell developer, and higher winter heating demand by commercial and industrial customers. For the fourth quarter 2000, Southern California Gas Company recorded net income of $56 million, down from $59 million in the same period in 1999.

Energy Trading

Sempra Energy Trading's net income grew to $155 million in the full-year 2000, compared to $19 million in 1999.

In the fourth quarter 2000, Sempra Energy Trading's net income increased to $52 million, compared with $10 million in the year-earlier period. The increase was primarily due to improved results in oil, natural gas and electricity trading in the United States and Europe amidst volatile international commodity markets.

Twenty-one percent of Sempra Energy Trading's net trading revenue came from trading power in the 11-state western region of the United States.

Sempra Energy Trading's physical trading volumes of natural gas were 8.9 billion cubic feet per day (bcfd) during 2000, compared with 5.8 bcfd in 1999. Trading volumes of crude oil and liquid products remained constant at 2.1 million barrels per day (mbd) in 2000. In the year 2000, the company traded 61.1 billion kWh of electricity in the United States and Europe, compared to 19.8 billion kWh in 1999.

Independent Generation

Sempra Energy Resources, the wholesale power generation subsidiary of Sempra Energy, reported net income of $33 million in 2000, up from $5 million in 1999. The subsidiary began operations at its first power plant in 2000, a 480-megawatt facility near Las Vegas jointly owned with Reliant Energy.

Fourth-quarter 2000 earnings from Sempra Energy Resources were $14 million, compared with $1 million during the same quarter last year.

During the fourth quarter 2000, Sempra Energy Resources received key regulatory approvals for two new gas-fired power-plant projects in California and Arizona. On Dec. 6, 2000, the California Energy Commission unanimously approved the Elk Hills Power Project, a 500-megawatt facility near Bakersfield, Calif. The second power plant, called Mesquite Power, a 1,000-megawatt facility near Phoenix, received approval from the Arizona Corporation Commission on Nov. 28, 2000, and the Maricopa County Board of Supervisors on Dec. 6, 2000. Both plants are expected to be completed in 2003.

International Operations

Sempra Energy International's net income grew to $33 million in 2000, compared to $2 million in 1999. The improvement was due primarily to full-year results of Chilquinta Energía in Chile and Luz del Sur in Peru, acquired in June and September 1999.

For the fourth quarter 2000, Sempra Energy International's net income grew to $9 million, compared with $5 million during the same quarter 1999.

Sempra Energy International passed a major regulatory hurdle in Mexico in December 2000, when it received a permit from the Energy Regulatory Commission to build the Mexican segment of the North Baja Pipeline. The 215-mile pipeline will transport natural gas from Arizona to power plants and industrial clients in Baja California, Mexico. The pipeline is expected to be completed by the third quarter 2002.

Retail Energy Services

Revenues from Sempra Energy's retail energy services marketing operations in 2000 more than doubled to $596 million, compared with $273 million in 1999. Overall, the retail operations recorded a net loss of $23 million in 2000, compared with a net loss of $11 million in 1999, due to ongoing start-up costs. These operations are concentrated primarily in Sempra Energy Solutions, which markets integrated energy services solutions to commercial, industrial and institutional customers.

Sempra Energy Solutions won several significant contracts during the quarter, including an agreement to supply fuel to the Los Angeles County Metropolitan Transportation Authority, operator of the world's largest natural-gas-powered bus fleet. The first year of supply is valued at $15 million and the contract is renewable for two additional years.

Sempra Energy Solutions also signed one-year, renewable energy services contracts worth more than $6 million with the MGM Grand Hotel and Casino and eight other MGM Mirage Properties in Las Vegas. In addition, the company began a 15-year energy-savings-performance contract for the Goodfellow Air Force Base near San Angelo, Texas.

During the fourth quarter, Sempra Energy announced the sale of its 72.5-percent stake in Energy America, a U.S.-based energy marketing firm with nearly 400,000 residential and small-business customers in six states, to Centrica plc for $56 million. The transaction, which closed on Jan. 22, 2001, will generate cash for reinvestment in other key areas of Sempra Energy's business strategy and is expected to increase the company's 2001 earnings by approximately 10 cents per share.

Earnings Outlook

Baum said the company's earnings-per-share outlook for 2001 is approximately $2.20. Regulatory and political developments, particularly at the CPUC, Federal Energy Regulatory Commission and California State Legislature, as well as energy prices and volatility, could cause earnings to vary significantly from current expectations, he said.

Internet Broadcast

Sempra Energy will broadcast a live discussion of its earnings results over the Internet today at 1 p.m. Eastern Time with Baum, Neal E. Schmale, executive vice president and chief financial officer of Sempra Energy, and Frank H. Ault, vice president and controller of Sempra Energy. For access, log onto the Web site at www.sempra.com. For those unable to participate in the live Webcast, the teleconference will be available on replay a few hours after its conclusion by dialing (719) 457-0820 and entering passcode number 766925.

Sempra Energy (NYSE: SRE), based in San Diego, is a Fortune 500 energy services holding company with 12,000 employees and revenues of $7 billion. Through its eight principal subsidiaries -- Southern California Gas Company, San Diego Gas & Electric, Sempra Energy Solutions, Sempra Energy Trading, Sempra Energy International, Sempra Energy Resources, Sempra Communications and Sempra Energy Financial -- Sempra Energy serves more than 9 million customers in the United States, Europe, Canada, Mexico, South America and Asia.

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Financial Tables