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Sempra Energy Announces Portfolio Optimization Initiatives

Planned Sales of U.S. Solar, Wind, and Certain Midstream Assets Follow Comprehensive Strategic Portfolio Review

SAN DIEGO, June 28, 2018 /PRNewswire/ -- Sempra Energy (NYSE: SRE) today announced that, following a comprehensive strategic review of its businesses and asset portfolio over the past year, the company intends to sell several energy infrastructure assets, including its entire portfolio of U.S. wind and U.S. solar assets, as well as certain U.S. midstream assets. The board of directors approved the asset sales on June 25.

The planned asset dispositions represent the first phase of a multi-phase portfolio optimization initiative designed to sharpen the company's strategic focus and create value for all shareholders.

"Our strategy is to continue building a leading energy company operating best-in-class utilities and developing contracted energy infrastructure in some of the largest economies in the Americas, with a focus centered on North America," said Jeffrey W. Martin, CEO of Sempra Energy. "Our executive team and board of directors, along with our outside financial and legal advisors, have been engaged in a comprehensive strategic review of our asset portfolio over the past year, consistent with this strategy to drive shareholder value. The review was guided by several important considerations and factors, including: deployment of additional capital to improve critical utility infrastructure, changes in the U.S. tax code, California regulatory developments and strategic growth opportunities.

"This is just the first phase of our portfolio optimization, which we expect to continue in the coming months. We intend to continue evaluating our portfolio, looking for additional opportunities to create long-term value for all shareholders. We will pursue additional initiatives using a disciplined, phased approach, taking into consideration timing and market conditions."

Midstream assets included in the planned sales are Mississippi Hub, LLC, an underground salt dome with 22 billion cubic feet (Bcf) of working natural gas storage capacity located near Jackson, Miss. along with related compression and pipeline facilities, and the company's 90.9-percent ownership interest in Bay Gas Storage Company, Ltd., a 20 Bcf natural gas storage facility near Mobile, Ala. Both storage facilities are part of Sempra LNG & Midstream.

Also part of the planned sales are all of Sempra Renewables' solar and wind assets and investments, including wholly owned facilities, and joint-venture and tax-equity investments with a total generating capacity of approximately 2,600 megawatts, as well as projects in development.

Sempra Renewables has ownership interests and investments in nine solar projects in Nevada, Arizona and California and wind projects in eight states stretching from Hawaii to Pennsylvania.

"Renewable energy is a vital part of the energy landscape and we have developed a great platform, but we have determined that our U.S. solar and wind generation businesses would be more valuable to another owner," Martin said. "We will continue to be a leader in sourcing renewable energy for our utility customers, which is critical to the future of an expanding clean energy grid.

"Natural gas storage plays an important role in energy markets, but these Gulf Coast storage assets are no longer core to our business strategy. Monetizing these assets will support growth opportunities in our other U.S. businesses and strengthen our balance sheet."

Sempra Energy expects to record impairment charges related to certain of these assets totaling approximately $1.47 billion to $1.55 billion, or approximately $870 million to $925 million after tax and noncontrolling interests, in the second quarter 2018. These impairment charges will result primarily from adjusting the related assets' recorded values to the lesser of carrying value or estimated fair value, less costs to sell, as applicable. The company does not expect that any of the impairment charges will result in future cash expenditures, other than costs to sell. Gains, if any, from the sale of the wind and solar assets and investments would be recorded at the time of sale.

Sempra Energy's executive management team will provide an overview of the company's strategic plans, including portfolio optimization, at the company's 2018 Analyst Conference today in New York.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2017 revenues of more than $11 billion. Sempra Energy is the utility holding company with the largest U.S. customer base. The Sempra Energy companies' approximately 20,000 employees serve more than 40 million consumers worldwide.

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. 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, Public Utility Commission of Texas, 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 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; denial 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 inverse condemnation 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; and 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 non-strategic 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; and 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 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; the ability to realize the anticipated benefits from our investment in Oncor Electric Delivery Holdings Company LLC (Oncor Holdings); the ability to obtain additional permanent equity financing for the acquisition of our investment in Oncor Holdings on favorable terms; 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; 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 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. 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 Electric Delivery Company LLC (Oncor) and Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) are not the same companies as the California utilities, San Diego Gas & Electric Company (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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