



October 30, 2017

## Sempra Energy Announces Third-Quarter 2017 Earnings

- Company Achieves Strong Operating Results in Third Quarter, First Nine Months of 2017
- Texas Regulators Set 180-Day Schedule to Complete Review of Oncor Transaction

SAN DIEGO, Oct. 30, 2017 /PRNewswire/ -- Sempra Energy (NYSE: SRE) today reported third-quarter 2017 earnings of \$57 million, or \$0.22 per diluted share, compared with third-quarter 2016 earnings of \$622 million, or \$2.46 per diluted share.

On an adjusted basis, Sempra Energy's third-quarter 2017 earnings increased to \$265 million, or \$1.04 per diluted share, from \$259 million, or \$1.02 per diluted share, in the third quarter 2016. Adjusted earnings excluded a \$208 million after-tax impairment in the most recent quarter related to a proposed decision by administrative law judges with the California Public Utilities Commission (CPUC) denying the request by San Diego Gas & Electric (SDG&E) to recover costs related to the 2007 San Diego wildfires. Adjusted earnings in last year's third quarter excluded a \$350 million after-tax remeasurement gain related to the acquisition of PEMEX's share of the Gasoductos de Chihuahua (GdC) joint venture by Sempra Energy's Mexican subsidiary IEnova, a \$78 million after-tax gain on the sale of EnergySouth and net after-tax losses of \$65 million related to the planned sale of IEnova's Termoeléctrica de Mexicali (TdM) power plant.

For the first nine months of 2017, Sempra Energy's earnings were \$757 million, or \$2.99 per diluted share, compared with \$991 million, or \$3.93 per diluted share, in the first nine months of 2016. Adjusted earnings for the first nine months of 2017 increased to \$979 million, or \$3.87 per diluted share, from \$884 million, or \$3.51 per diluted share, for the first nine months of 2016.

These results reflect certain significant items as described in the following table of GAAP earnings, reconciled to adjusted earnings on an after-tax basis, for the third quarter and first nine months of 2017 and 2016:

|                                                                                  | Three months<br>ended September 30, |         | Nine months<br>ended September 30, |         |
|----------------------------------------------------------------------------------|-------------------------------------|---------|------------------------------------|---------|
|                                                                                  | 2017                                | 2016    | 2017                               | 2016    |
| <i>(Unaudited; Dollars, except EPS, and shares, in millions)</i>                 |                                     |         |                                    |         |
| GAAP Earnings                                                                    | \$ 57                               | \$ 622  | \$ 757                             | \$ 991  |
| <i>SDG&amp;E</i>                                                                 |                                     |         |                                    |         |
| Impairment of Wildfire Regulatory Asset                                          | 208                                 | —       | 208                                | —       |
| Tax Repairs Adjustments Related to General Rate Case (GRC)                       | —                                   | —       | —                                  | 31      |
| <i>SoCalGas</i>                                                                  |                                     |         |                                    |         |
| Tax Repairs Adjustments Related to GRC                                           | —                                   | —       | —                                  | 49      |
| <i>Sempra Mexico</i>                                                             |                                     |         |                                    |         |
| Gain in Connection with Gasoductos de Chihuahua (GdC) Acquisition                | —                                   | (350)   | —                                  | (350)   |
| Impairments and Losses Related to Termoeléctrica de Mexicali (TdM) Held For Sale | —                                   | 65      | 42                                 | 91      |
| <i>Sempra LNG &amp; Midstream</i>                                                |                                     |         |                                    |         |
| Gain on Sale of EnergySouth                                                      | —                                   | (78)    | —                                  | (78)    |
| (Recoveries) Losses Related to Permanent Releases of Pipeline Capacity           | —                                   | —       | (28)                               | 123     |
| Loss Related to Sale of Investment in Rockies Express Pipeline                   | —                                   | —       | —                                  | 27      |
| Adjusted Earnings <sup>(1)</sup>                                                 | \$ 265                              | \$ 259  | \$ 979                             | \$ 884  |
| Diluted weighted-average shares outstanding                                      | 253                                 | 252     | 253                                | 252     |
| GAAP EPS                                                                         | \$ 0.22                             | \$ 2.46 | \$ 2.99                            | \$ 3.93 |
| Adjusted Earnings <sup>(1)</sup>                                                 | \$ 1.04                             | \$ 1.02 | \$ 3.87                            | \$ 3.51 |

(1) Sempra Energy adjusted earnings and adjusted earnings per share are non-GAAP financial measures. See Table A in the appendix for information regarding non-GAAP financial measures and descriptions of adjustments above.

"Based on our strong operating and financial performance through the first nine months, we are on track for one of the best years in our history," said Debra L. Reed, chairman, president and CEO of Sempra Energy. "During the third quarter, we saw continued growth in our utility and infrastructure businesses, while laying the groundwork for a significant new growth platform with our agreement to acquire a majority stake in Oncor."

On Aug. 21, Sempra Energy entered into an agreement to acquire Energy Future Holdings Corp. (EFH), the indirect owner of approximately 80 percent of Oncor Electric Delivery Company LLC (Oncor), the largest electric utility in Texas. In September, the U.S. Bankruptcy Court for the District of Delaware approved EFH's entry into the merger agreement with Sempra Energy and, earlier this month, Sempra Energy and Oncor filed a joint Change-in-Control application with the Public Utility Commission of Texas (PUCT). On Oct. 16, the PUCT set a procedural schedule to complete a review of Sempra Energy's and Oncor's case within 180 days, by early April 2018. The EFH transaction closing remains subject to further approvals by the Bankruptcy Court, the PUCT and the Federal Energy Regulatory Commission, among other approvals and closing conditions. Sempra Energy expects the transaction to close in the first half of 2018.

## **SEMPRA UTILITIES**

### **San Diego Gas & Electric**

SDG&E recorded a net loss of \$28 million in the third quarter 2017, compared with earnings of \$183 million in last year's third quarter, due primarily to the \$208 million after-tax impairment related to cost recovery for the 2007 San Diego wildfires, as SDG&E has determined that its regulatory asset no longer meets the probability threshold for recovery under applicable accounting guidance. The CPUC has yet to issue a final ruling in the cost-recovery proceeding.

For the first nine months of 2017, SDG&E's earnings were \$276 million, compared with \$419 million in the same period last year. SDG&E's earnings for the first nine months of 2017 included the third-quarter 2017 wildfires-related impairment. In last year's second quarter, SDG&E recorded an after-tax charge of \$31 million, refunding to ratepayers the benefits from tax repairs deductions, related to the final 2016 General Rate Case Decision.

### **Southern California Gas Co.**

Earnings for Southern California Gas Co. (SoCalGas) were \$7 million in the third quarter 2017, compared with no earnings in last year's third quarter.

SoCalGas' nine-month earnings were \$268 million in 2017, compared with \$198 million in 2016. In last year's second quarter, SoCalGas recorded an after-tax charge of \$49 million, refunding to ratepayers the benefits from tax repairs deductions, related to the final 2016 General Rate Case Decision.

### **Sempra South American Utilities**

In the third quarter 2017, Sempra South American Utilities had earnings of \$42 million, compared with \$46 million in last year's third quarter.

For the first nine months of 2017, earnings for Sempra South American Utilities were \$134 million, compared with \$127 million in the first nine months of 2016.

## **SEMPRA INFRASTRUCTURE**

### **Sempra Mexico**

Third-quarter earnings for Sempra Mexico were \$66 million in 2017, compared with \$332 million in 2016. In last year's third quarter, Sempra Mexico's results included the \$350 million after-tax remeasurement gain related to the GdC acquisition, offset by the \$65 million after-tax charge related to the planned sale of TdM.

For the nine-month period, Sempra Mexico had earnings of \$105 million in 2017, compared with \$407 million in 2016.

On Oct. 6, IEnova announced it agreed to acquire an additional stake in the Los Ramones II Norte pipeline from Pemex Transformación Industrial, increasing IEnova's indirect ownership stake to 50 percent from 25 percent. The 452-km pipeline, which commenced operations in February 2016, transports natural gas from Nuevo Leon to San Luis Potosí in central Mexico.

### **Sempra Renewables**

Earnings for Sempra Renewables in the third quarter 2017 were \$15 million, compared with \$17 million in the third quarter 2016.

During the first nine months of 2017, earnings for Sempra Renewables were \$49 million, up from \$43 million during the same period last year.

## **Sempra LNG & Midstream**

In the third quarter 2017, Sempra LNG & Midstream recorded a net loss of \$4 million, compared with earnings of \$77 million in the third quarter 2016, due to the \$78 million after-tax gain from the sale of EnergySouth in last year's third quarter.

For the first nine months of 2017, Sempra LNG & Midstream had earnings of \$24 million, compared with a net loss of \$104 million in the first nine months of 2016. Sempra LNG & Midstream recorded a \$28 million after-tax recovery in the second quarter 2017 related to last year's permanent releases of certain pipeline capacity, compared with a related \$123 million after-tax loss in 2016.

### **EARNINGS GUIDANCE**

Today, Sempra Energy updated its GAAP 2017 earnings-per-share guidance range to \$4.13 to \$4.43 from the prior range of \$4.95 to \$5.25, resulting from the impairment in the third quarter 2017 related to SDG&E's cost recovery for the 2007 San Diego wildfires. The company said it expects its adjusted 2017 earnings per share to be at the upper end of its guidance range of \$5 to \$5.30.

### **NON-GAAP FINANCIAL MEASURES**

Non-GAAP financial measures include Sempra Energy's adjusted earnings and adjusted earnings per share for the third-quarter and nine-month periods in 2017 and 2016, as well as the adjusted 2017 earnings-per-share guidance range. Additional information regarding these non-GAAP financial measures is in the appendix on Table A of the third-quarter financial tables.

### **INTERNET BROADCAST**

Sempra Energy will webcast a live discussion of its earnings results today at 12 p.m. EDT with senior management of the company. Access is available by logging onto the website at [www.sempra.com](http://www.sempra.com). For those unable to log onto the live webcast, the teleconference will be available on replay a few hours after its conclusion by dialing (888) 203-1112 and entering passcode 9618086.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2016 revenues of more than \$10 billion. The Sempra Energy companies' more than 16,000 employees serve approximately 32 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 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, 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; modifications of settlements; delays in, or disallowance or denial of, regulatory agency authorizations to recover costs in rates from customers (including with respect to regulatory assets 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 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 investment 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) or may be disputed by insurers; 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; changes in the tax code as a result of potential federal tax reform, uncertainty as to what proposals will be enacted, if any, and, if enacted, how they would be applied; 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, and changes that make our exports less competitive or otherwise restrict our ability to export or 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.

Additional forward-looking statements include, but are not limited to, statements about the anticipated benefits of the proposed merger involving Sempra Energy, Energy Future Holdings Corp. (EFH) and EFH's indirect interest in Oncor Electric Delivery Company LLC (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 expected financing plans for the transaction, the expected timing of completion of the transaction, and other statements that are not historical facts. Important factors that could cause actual results and future actions to differ materially from those described in any such forward-looking statements include risks and uncertainties relating to: the risk that Sempra Energy, EFH or Oncor may be unable to obtain bankruptcy court and governmental and regulatory approvals required for the merger, or that required bankruptcy court and governmental and regulatory approvals may delay the merger or result in the imposition of conditions that could cause the parties to abandon the transaction or be onerous to Sempra Energy; the risk that a condition to closing of the merger may not be satisfied, including receipt of a satisfactory supplemental private letter ruling from the Internal Revenue Service; the risk that the transaction 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 transaction may not be fully realized or may take longer to realize than expected; the risk that Sempra Energy may be unable to obtain the external financing necessary to pay the consideration and expenses related to the merger on terms favorable to Sempra Energy, if at all; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; and the diversion of management time and attention to merger-related issues and related legal, accounting and other costs, whether or not the merger is completed.

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](http://www.sec.gov), and on the company's website at [www.sempra.com](http://www.sempra.com). 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 and Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) are not the same as the California Utilities, San Diego Gas & Electric Company (SDG&E) or Southern California Gas Company (SoCalGas), and are not regulated by the California Public Utilities Commission.

SEMPRA ENERGY  
Table A

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| (Dollars in millions, except per share amounts)        | Three months ended<br>September 30, |          | Nine months ended<br>September 30, |          |
|--------------------------------------------------------|-------------------------------------|----------|------------------------------------|----------|
|                                                        | 2017                                | 2016     | 2017                               | 2016     |
|                                                        | (unaudited)                         |          |                                    |          |
| REVENUES                                               |                                     |          |                                    |          |
| Utilities                                              | \$ 2,277                            | \$ 2,264 | \$ 7,172                           | \$ 6,700 |
| Energy-related businesses                              | 402                                 | 271      | 1,071                              | 613      |
| Total revenues                                         | 2,679                               | 2,535    | 8,243                              | 7,313    |
| EXPENSES AND OTHER INCOME                              |                                     |          |                                    |          |
| Utilities:                                             |                                     |          |                                    |          |
| Cost of electric fuel and purchased power              | (650)                               | (604)    | (1,730)                            | (1,680)  |
| Cost of natural gas                                    | (190)                               | (208)    | (903)                              | (702)    |
| Energy-related businesses:                             |                                     |          |                                    |          |
| Cost of natural gas, electric fuel and purchased power | (97)                                | (95)     | (226)                              | (213)    |

|                                                                                                |                |                |                |                |
|------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Other cost of sales                                                                            | (21)           | (32)           | (5)            | (293)          |
| Operation and maintenance                                                                      | (762)          | (703)          | (2,207)        | (2,109)        |
| Depreciation and amortization                                                                  | (378)          | (328)          | (1,106)        | (970)          |
| Franchise fees and other taxes                                                                 | (114)          | (108)          | (325)          | (315)          |
| Impairment of wildfire regulatory asset                                                        | (351)          | —              | (351)          | —              |
| Other impairment losses                                                                        | (1)            | (132)          | (72)           | (154)          |
| Gain on sale of assets                                                                         | 2              | 131            | 2              | 131            |
| Equity earnings, before income tax                                                             | 10             | 12             | 31             | 4              |
| Remeasurement of equity method investment                                                      | —              | 617            | —              | 617            |
| Other income, net                                                                              | 41             | 26             | 301            | 98             |
| Interest income                                                                                | 12             | 7              | 26             | 19             |
| Interest expense                                                                               | (165)          | (136)          | (493)          | (421)          |
| Income before income taxes and equity earnings (losses) of certain unconsolidated subsidiaries | 15             | 982            | 1,185          | 1,325          |
| Income tax benefit (expense)                                                                   | 84             | (282)          | (378)          | (284)          |
| Equity earnings (losses), net of income tax                                                    | 3              | 19             | (5)            | 69             |
| Net income                                                                                     | 102            | 719            | 802            | 1,110          |
| Earnings attributable to noncontrolling interests                                              | (45)           | (97)           | (44)           | (118)          |
| Preferred dividends of subsidiary                                                              | —              | —              | (1)            | (1)            |
| Earnings                                                                                       | <u>\$ 57</u>   | <u>\$ 622</u>  | <u>\$ 757</u>  | <u>\$ 991</u>  |
| Basic earnings per common share                                                                | <u>\$ 0.23</u> | <u>\$ 2.48</u> | <u>\$ 3.01</u> | <u>\$ 3.96</u> |
| Weighted-average number of shares outstanding, basic (thousands)                               | <u>251,692</u> | <u>250,386</u> | <u>251,425</u> | <u>250,073</u> |
| Diluted earnings per common share                                                              | <u>\$ 0.22</u> | <u>\$ 2.46</u> | <u>\$ 2.99</u> | <u>\$ 3.93</u> |
| Weighted-average number of shares outstanding, diluted (thousands)                             | <u>253,364</u> | <u>252,405</u> | <u>252,987</u> | <u>251,976</u> |
| Dividends declared per share of common stock                                                   | <u>\$ 0.82</u> | <u>\$ 0.76</u> | <u>\$ 2.47</u> | <u>\$ 2.27</u> |

**SEMPRA ENERGY**  
**Table A (Continued)**

*RECONCILIATION OF SEMPRA ENERGY ADJUSTED EARNINGS TO SEMPRA ENERGY GAAP EARNINGS (Unaudited)*

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

Three months ended September 30, 2017:

- \$(208) million impairment of wildfire regulatory asset at SDG&E

Three months ended September 30, 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
- \$(90) million impairment of Sempra Mexico's Termoeléctrica de Mexicali (TdM) assets held for sale
- \$25 million reduction of deferred income tax liability related to the impairment in carrying value of TdM's assets

Nine months ended September 30, 2017:

- \$(208) million impairment of wildfire regulatory asset at SDG&E
- \$(47) million impairment of TdM assets held for sale
- \$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

Nine months ended September 30, 2016:

- \$350 million noncash gain from the remeasurement of our equity method investment in IEnova Pipelines
- \$78 million gain on the sale of EnergySouth
- \$(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
- \$(1) million deferred income tax expense on the TdM assets held 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 below reconciles for historical periods these non-GAAP financial measures to Sempra Energy GAAP Earnings and GAAP Diluted Earnings Per Common Share, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

|                                                                    | Pretax amount | Income tax (benefit) expense <sup>(1)</sup> | Non-controlling interests | Earnings                              | Pretax amount                         | Income tax expense (benefit) <sup>(1)</sup> | Non-controlling interests | Earnings       |
|--------------------------------------------------------------------|---------------|---------------------------------------------|---------------------------|---------------------------------------|---------------------------------------|---------------------------------------------|---------------------------|----------------|
| (Dollars in millions, except per share amounts)                    |               |                                             |                           | Three months ended September 30, 2017 | Three months ended September 30, 2016 |                                             |                           |                |
| Sempra Energy GAAP Earnings                                        |               |                                             |                           | \$ 57                                 |                                       |                                             |                           | \$ 622         |
| Excluded items:                                                    |               |                                             |                           |                                       |                                       |                                             |                           |                |
| Impairment of wildfire regulatory asset                            | \$ 351        | \$ (143)                                    | \$ —                      | 208                                   | \$ —                                  | \$ —                                        | \$ —                      | —              |
| Remeasurement gain in connection with GdC acquisition              | —             | —                                           | —                         | —                                     | (617)                                 | 185                                         | 82                        | (350)          |
| Gain on sale of EnergySouth                                        | —             | —                                           | —                         | —                                     | (130)                                 | 52                                          | —                         | (78)           |
| Impairment of TdM assets held for sale                             | —             | —                                           | —                         | —                                     | 131                                   | (20)                                        | (21)                      | 90             |
| Reduction of deferred income tax liability associated with TdM     | —             | —                                           | —                         | —                                     | —                                     | (31)                                        | 6                         | (25)           |
| Sempra Energy Adjusted Earnings                                    |               |                                             |                           | <u>\$ 265</u>                         |                                       |                                             |                           | <u>\$ 259</u>  |
| Diluted earnings per common share:                                 |               |                                             |                           |                                       |                                       |                                             |                           |                |
| Sempra Energy GAAP Earnings                                        |               |                                             |                           | <u>\$ 0.22</u>                        |                                       |                                             |                           | <u>\$ 2.46</u> |
| Sempra Energy Adjusted Earnings                                    |               |                                             |                           | <u>\$ 1.04</u>                        |                                       |                                             |                           | <u>\$ 1.02</u> |
| Weighted-average number of shares outstanding, diluted (thousands) |               |                                             |                           | 253,364                               |                                       |                                             |                           | 252,405        |
|                                                                    |               |                                             |                           | Nine months ended September 30, 2017  | Nine months ended September 30, 2016  |                                             |                           |                |
| Sempra Energy GAAP Earnings                                        |               |                                             |                           | \$ 757                                |                                       |                                             |                           | \$ 991         |
| Excluded items:                                                    |               |                                             |                           |                                       |                                       |                                             |                           |                |
| Impairment of wildfire regulatory asset                            | \$ 351        | \$ (143)                                    | \$ —                      | 208                                   | \$ —                                  | \$ —                                        | \$ —                      | —              |
| 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)                                   | —                                     | 1                                           | —                         | 1              |
| 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                                    |               |                                             |                           | <u>\$ 979</u>                         |                                       |                                             |                           | <u>\$ 884</u>  |
| Diluted earnings per common share:                                 |               |                                             |                           |                                       |                                       |                                             |                           |                |
| Sempra Energy GAAP Earnings                                        |               |                                             |                           | <u>\$ 2.99</u>                        |                                       |                                             |                           | <u>\$ 3.93</u> |
| Sempra Energy Adjusted Earnings                                    |               |                                             |                           | <u>\$ 3.87</u>                        |                                       |                                             |                           | <u>\$ 3.51</u> |
| Weighted-average number of shares outstanding, diluted (thousands) |               |                                             |                           | 252,987                               |                                       |                                             |                           | 251,976        |

(1) Income taxes were calculated based on applicable statutory tax rates, except for adjustments that are solely income tax. Income taxes associated with 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 TdM impairment has been fully reserved.

**SEMPRA ENERGY**  
**Table A (Continued)**

*RECONCILIATION OF SEMPra ENERGY 2017 ADJUSTED EARNINGS-PER-SHARE GUIDANCE RANGE TO SEMPra ENERGY 2017 GAAP EARNINGS-PER-SHARE GUIDANCE RANGE (Unaudited)*

Sempra Energy 2017 Adjusted Earnings-Per-Share Guidance Range of \$5.00 to \$5.30 excludes items (after the effects of income taxes and, if applicable, noncontrolling interests) as follows:

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

Sempra Energy 2017 Adjusted Earnings-Per-Share Guidance is a non-GAAP financial measure. Because of the significance and/or 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 and also as a base for projected earnings-per-share compound annual growth rate. Sempra Energy 2017 Adjusted Earnings-Per-Share Guidance should not be considered an alternative to Earnings-Per-Share Guidance determined in accordance with GAAP. The table below reconciles Sempra Energy 2017 Adjusted Earnings-Per-Share Guidance Range to Sempra Energy 2017 GAAP Earnings-Per-Share Guidance Range, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

|                                                                    | Full-Year 2017 |                   |
|--------------------------------------------------------------------|----------------|-------------------|
| Sempra Energy GAAP Earnings-Per-Share Guidance Range               | \$ 4.13        | to \$ 4.43        |
| Excluded items <sup>(1)</sup> :                                    |                |                   |
| Impairment of wildfire regulatory asset                            | 0.82           | 0.82              |
| Impairment of TdM assets held for sale                             | 0.18           | 0.18              |
| Deferred income tax benefit associated with TdM                    | (0.02)         | (0.02)            |
| Recoveries related to 2016 permanent release of pipeline capacity  | (0.11)         | (0.11)            |
| Sempra Energy Adjusted Earnings-Per-Share Guidance Range           | <u>\$ 5.00</u> | <u>to \$ 5.30</u> |
| Weighted-average number of shares outstanding, diluted (thousands) | 254,000        |                   |

(1) The effects of income taxes and noncontrolling interests for excluded items are provided in the reconciliation of Sempra Energy GAAP Earnings to Sempra Energy Adjusted Earnings above.

**SEMPRA ENERGY**  
**Table B**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| (Dollars in millions)                                | September 30,<br>2017 | December 31,<br>2016 <sup>(1)</sup> |
|------------------------------------------------------|-----------------------|-------------------------------------|
|                                                      | (unaudited)           |                                     |
| <b>Assets</b>                                        |                       |                                     |
| Current assets:                                      |                       |                                     |
| Cash and cash equivalents                            | \$ 189                | \$ 349                              |
| Restricted cash                                      | 59                    | 66                                  |
| Accounts receivable, net                             | 1,387                 | 1,554                               |
| Due from unconsolidated affiliates                   | 31                    | 26                                  |
| Income taxes receivable                              | 118                   | 43                                  |
| Inventories                                          | 296                   | 258                                 |
| Regulatory balancing accounts - undercollected       | 170                   | 259                                 |
| Fixed-price contracts and other derivatives          | 174                   | 83                                  |
| Assets held for sale                                 | 117                   | 201                                 |
| Other                                                | 337                   | 271                                 |
| Total current assets                                 | <u>2,878</u>          | <u>3,110</u>                        |
| Other assets:                                        |                       |                                     |
| Restricted cash                                      | 13                    | 10                                  |
| Due from unconsolidated affiliates                   | 506                   | 201                                 |
| Regulatory assets                                    | 3,186                 | 3,414                               |
| Nuclear decommissioning trusts                       | 1,041                 | 1,026                               |
| Investments                                          | 2,128                 | 2,097                               |
| Goodwill                                             | 2,393                 | 2,364                               |
| Other intangible assets                              | 537                   | 548                                 |
| Dedicated assets in support of certain benefit plans | 435                   | 430                                 |
| Insurance receivable for Aliso Canyon costs          | 542                   | 606                                 |
| Deferred income taxes                                | 132                   | 234                                 |
| Sundry                                               | 954                   | 815                                 |
| Total other assets                                   | <u>11,867</u>         | <u>11,745</u>                       |
| Property, plant and equipment, net                   | <u>35,384</u>         | <u>32,931</u>                       |
| Total assets                                         | <u>\$ 50,129</u>      | <u>\$ 47,786</u>                    |
| <b>Liabilities and Equity</b>                        |                       |                                     |
| Current liabilities:                                 |                       |                                     |
| Short-term debt                                      | \$ 2,498              | \$ 1,779                            |
| Accounts payable                                     | 1,333                 | 1,476                               |
| Due to unconsolidated affiliates                     | 10                    | 11                                  |

|                                                                               |                  |                  |
|-------------------------------------------------------------------------------|------------------|------------------|
| Dividends and interest payable                                                | 386              | 319              |
| Accrued compensation and benefits                                             | 334              | 409              |
| Regulatory balancing accounts - overcollected                                 | 278              | 122              |
| Current portion of long-term debt                                             | 1,423            | 913              |
| Fixed-price contracts and other derivatives                                   | 105              | 83               |
| Customer deposits                                                             | 149              | 158              |
| Reserve for Aliso Canyon costs                                                | 42               | 53               |
| Liabilities held for sale                                                     | 47               | 47               |
| Other                                                                         | 589              | 557              |
| Total current liabilities                                                     | <u>7,194</u>     | <u>5,927</u>     |
| Long-term debt                                                                | <u>14,803</u>    | <u>14,429</u>    |
| Deferred credits and other liabilities:                                       |                  |                  |
| Customer advances for construction                                            | 148              | 152              |
| Pension and other postretirement benefit plan obligations, net of plan assets | 1,238            | 1,208            |
| Deferred income taxes                                                         | 4,090            | 3,745            |
| Deferred investment tax credits                                               | 28               | 28               |
| Regulatory liabilities arising from removal obligations                       | 2,774            | 2,697            |
| Asset retirement obligations                                                  | 2,482            | 2,431            |
| Fixed-price contracts and other derivatives                                   | 301              | 405              |
| Deferred credits and other                                                    | 1,569            | 1,523            |
| Total deferred credits and other liabilities                                  | <u>12,630</u>    | <u>12,189</u>    |
| Equity:                                                                       |                  |                  |
| Total Sempra Energy shareholders' equity                                      | 13,265           | 12,951           |
| Preferred stock of subsidiary                                                 | 20               | 20               |
| Other noncontrolling interests                                                | 2,217            | 2,270            |
| Total equity                                                                  | <u>15,502</u>    | <u>15,241</u>    |
| Total liabilities and equity                                                  | <u>\$ 50,129</u> | <u>\$ 47,786</u> |

(1) Derived from audited financial statements.

**SEMPRA ENERGY**  
**Table C**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (Dollars in millions)                                                                                 | Nine months ended September 30, |              |
|-------------------------------------------------------------------------------------------------------|---------------------------------|--------------|
|                                                                                                       | 2017                            | 2016         |
|                                                                                                       | (unaudited)                     |              |
| <b>Cash Flows from Operating Activities</b>                                                           |                                 |              |
| Net income                                                                                            | \$ 802                          | \$ 1,110     |
| Adjustments to reconcile net income to net cash provided by operating activities:                     |                                 |              |
| Depreciation and amortization                                                                         | 1,106                           | 970          |
| Deferred income taxes and investment tax credits                                                      | 302                             | 170          |
| Impairment of wildfire regulatory asset                                                               | 351                             | —            |
| Other impairment losses                                                                               | 72                              | 154          |
| Gain on sale of assets                                                                                | (2)                             | (131)        |
| Equity earnings, net                                                                                  | (26)                            | (73)         |
| Remeasurement of equity method investment                                                             | —                               | (617)        |
| Fixed-price contracts and other derivatives                                                           | (142)                           | 39           |
| Other                                                                                                 | 20                              | 50           |
| Net change in other working capital components                                                        | 229                             | 224          |
| Insurance receivable for Aliso Canyon costs                                                           | 64                              | (339)        |
| Changes in other assets                                                                               | (137)                           | (4)          |
| Changes in other liabilities                                                                          | 71                              | 138          |
| Net cash provided by operating activities                                                             | <u>2,710</u>                    | <u>1,691</u> |
| <b>Cash Flows from Investing Activities</b>                                                           |                                 |              |
| Expenditures for property, plant and equipment                                                        | (2,880)                         | (3,087)      |
| Expenditures for investments and acquisition of businesses, net of cash and cash equivalents acquired | (110)                           | (1,212)      |
| Proceeds from sale of assets, net of cash sold                                                        | 12                              | 761          |
| Distributions from investments                                                                        | 25                              | 23           |
| Purchases of nuclear decommissioning and other trust assets                                           | (1,082)                         | (418)        |
| Proceeds from sales by nuclear decommissioning and other trusts                                       | 1,082                           | 486          |
| Increases in restricted cash                                                                          | (293)                           | (53)         |
| Decreases in restricted cash                                                                          | 298                             | 71           |
| Advances to unconsolidated affiliates                                                                 | (321)                           | (12)         |

|                                                              |                |                |
|--------------------------------------------------------------|----------------|----------------|
| Repayments of advances to unconsolidated affiliates          | 8              | 11             |
| Other                                                        | 1              | (2)            |
| Net cash used in investing activities                        | <u>(3,260)</u> | <u>(3,432)</u> |
| <b>Cash Flows from Financing Activities</b>                  |                |                |
| Common dividends paid                                        | (561)          | (510)          |
| Preferred dividends paid by subsidiary                       | (1)            | (1)            |
| Issuances of common stock                                    | 37             | 40             |
| Repurchases of common stock                                  | (15)           | (55)           |
| Issuances of debt (maturities greater than 90 days)          | 2,395          | 2,013          |
| Payments on debt (maturities greater than 90 days)           | (1,829)        | (1,298)        |
| Increase in short-term debt, net                             | 475            | 1,636          |
| Deposit for sale of noncontrolling interest                  | —              | 78             |
| Net distributions to noncontrolling interests                | (109)          | (43)           |
| Other                                                        | (11)           | (12)           |
| Net cash provided by financing activities                    | <u>381</u>     | <u>1,848</u>   |
| Effect of exchange rate changes on cash and cash equivalents | <u>9</u>       | <u>8</u>       |
| (Decrease) increase in cash and cash equivalents             | (160)          | 115            |
| Cash and cash equivalents, January 1                         | 349            | 403            |
| Cash and cash equivalents, September 30                      | <u>\$ 189</u>  | <u>\$ 518</u>  |

**SEMPRA ENERGY**

**Table D**

**SEGMENT EARNINGS (LOSSES) AND CAPITAL EXPENDITURES, INVESTMENTS AND ACQUISITION OF BUSINESSES**

| (Dollars in millions)           | Three months ended<br>September 30, |               | Nine months ended<br>September 30, |               |
|---------------------------------|-------------------------------------|---------------|------------------------------------|---------------|
|                                 | 2017                                | 2016          | 2017                               | 2016          |
|                                 | (unaudited)                         |               |                                    |               |
| <b>(Losses) Earnings</b>        |                                     |               |                                    |               |
| Sempra Utilities:               |                                     |               |                                    |               |
| San Diego Gas & Electric        | \$ (28)                             | \$ 183        | \$ 276                             | \$ 419        |
| Southern California Gas         | 7                                   | —             | 268                                | 198           |
| Sempra South American Utilities | 42                                  | 46            | 134                                | 127           |
| Sempra Infrastructure:          |                                     |               |                                    |               |
| Sempra Mexico                   | 66                                  | 332           | 105                                | 407           |
| Sempra Renewables               | 15                                  | 17            | 49                                 | 43            |
| Sempra LNG & Midstream          | (4)                                 | 77            | 24                                 | (104)         |
| Parent and other                | (41)                                | (33)          | (99)                               | (99)          |
| Earnings                        | <u>\$ 57</u>                        | <u>\$ 622</u> | <u>\$ 757</u>                      | <u>\$ 991</u> |

| (Dollars in millions)                                                        | Three months ended<br>September 30, |                 | Nine months ended<br>September 30, |                 |
|------------------------------------------------------------------------------|-------------------------------------|-----------------|------------------------------------|-----------------|
|                                                                              | 2017                                | 2016            | 2017                               | 2016            |
|                                                                              | (unaudited)                         |                 |                                    |                 |
| <b>Capital Expenditures, Investments and Acquisition of Businesses</b>       |                                     |                 |                                    |                 |
| Sempra Utilities:                                                            |                                     |                 |                                    |                 |
| San Diego Gas & Electric                                                     | \$ 359                              | \$ 357          | \$ 1,122                           | \$ 959          |
| Southern California Gas                                                      | 351                                 | 299             | 1,033                              | 949             |
| Sempra South American Utilities                                              | 62                                  | 51              | 139                                | 133             |
| Sempra Infrastructure:                                                       |                                     |                 |                                    |                 |
| Sempra Mexico                                                                | 38                                  | 1,226           | 265                                | 1,366           |
| Sempra Renewables                                                            | 261                                 | 261             | 361                                | 739             |
| Sempra LNG & Midstream                                                       | 16                                  | 44              | 53                                 | 136             |
| Parent and other                                                             | 4                                   | 9               | 17                                 | 17              |
| Consolidated Capital Expenditures, Investments and Acquisition of Businesses | <u>\$ 1,091</u>                     | <u>\$ 2,247</u> | <u>\$ 2,990</u>                    | <u>\$ 4,299</u> |





|           |               |             |              |               |              |              |                |               |
|-----------|---------------|-------------|--------------|---------------|--------------|--------------|----------------|---------------|
| interests | (11)          | —           | (7)          | (80)          | —            | —            | 1              | (97)          |
| Earnings  |               |             |              |               |              |              |                |               |
| (losses)  | <u>\$ 183</u> | <u>\$ —</u> | <u>\$ 46</u> | <u>\$ 332</u> | <u>\$ 17</u> | <u>\$ 77</u> | <u>\$ (33)</u> | <u>\$ 622</u> |

- (1) Management believes Income (Loss) Before Interest and Tax is a useful measurement of our segments' performance because it can be used to evaluate the effectiveness of our operations exclusive of interest and income tax, neither of which is directly relevant to the efficiency of those operations.
- (2) Includes interest income, interest expense and preferred dividends of subsidiary.

**SEMPRA ENERGY**  
**Table F (Unaudited)**

**STATEMENTS OF OPERATIONS DATA BY SEGMENT**

**Nine months  
ended  
September  
30, 2017**

| (Dollars in millions)                                                                                  | SDG&E         | SoCalGas      | Sempra South American Utilities | Sempra Mexico | Sempra Renewables | Sempra LNG & Midstream | Consolidating Adjustments, Parent & Other | Total         |
|--------------------------------------------------------------------------------------------------------|---------------|---------------|---------------------------------|---------------|-------------------|------------------------|-------------------------------------------|---------------|
| Revenues                                                                                               | \$ 3,351      | \$ 2,695      | \$ 1,169                        | \$ 873        | \$ 74             | \$ 406                 | \$ (325)                                  | \$ 8,243      |
| Cost of sales and other expenses                                                                       | (2,036)       | (1,891)       | (916)                           | (404)         | (57)              | (353)                  | 263                                       | (5,394)       |
| Depreciation and amortization                                                                          | (499)         | (384)         | (40)                            | (114)         | (28)              | (31)                   | (10)                                      | (1,106)       |
| Impairments                                                                                            | (351)         | —             | —                               | (72)          | —                 | —                      | —                                         | (423)         |
| Equity earnings, before income tax                                                                     | —             | —             | —                               | —             | 25                | 6                      | —                                         | 31            |
| Other income, net                                                                                      | 49            | 28            | 8                               | 191           | 1                 | 2                      | 22                                        | 301           |
| Income (loss) before interest and tax <sup>(1)</sup>                                                   | 514           | 448           | 221                             | 474           | 15                | 30                     | (50)                                      | 1,652         |
| Net interest (expense) income <sup>(2)</sup>                                                           | (151)         | (77)          | (13)                            | (61)          | (7)               | 14                     | (173)                                     | (468)         |
| Income tax (expense) benefit                                                                           | (72)          | (103)         | (57)                            | (278)         | 25                | (17)                   | 124                                       | (378)         |
| Equity earnings (losses), net of income tax (Earnings) losses attributable to noncontrolling interests | (15)          | —             | (19)                            | (23)          | 16                | (3)                    | —                                         | (44)          |
| Earnings (losses)                                                                                      | <u>\$ 276</u> | <u>\$ 268</u> | <u>\$ 134</u>                   | <u>\$ 105</u> | <u>\$ 49</u>      | <u>\$ 24</u>           | <u>\$ (99)</u>                            | <u>\$ 757</u> |

**Nine months  
ended  
September  
30, 2016**

| (Dollars in millions)            | SDG&E    | SoCalGas | Sempra South American Utilities | Sempra Mexico | Sempra Renewables | Sempra LNG & Midstream | Consolidating Adjustments, Parent & Other | Total    |
|----------------------------------|----------|----------|---------------------------------|---------------|-------------------|------------------------|-------------------------------------------|----------|
| Revenues                         | \$ 3,192 | \$ 2,336 | \$ 1,170                        | \$ 481        | \$ 25             | \$ 384                 | \$ (275)                                  | \$ 7,313 |
| Cost of sales and other expenses | (1,985)  | (1,637)  | (937)                           | (289)         | (40)              | (653)                  | 229                                       | (5,312)  |
| Depreciation and amortization    | (478)    | (355)    | (41)                            | (47)          | (4)               | (37)                   | (8)                                       | (970)    |
| Impairments                      | —        | (23)     | —                               | (131)         | —                 | —                      | —                                         | (154)    |
| Gain on sale of assets           | —        | —        | 1                               | —             | —                 | 130                    | —                                         | 131      |

|                                                            |               |               |               |               |              |                 |                |               |
|------------------------------------------------------------|---------------|---------------|---------------|---------------|--------------|-----------------|----------------|---------------|
| Equity earnings (losses), before income tax                | —             | —             | —             | —             | 30           | (26)            | —              | 4             |
| Remeasurement of equity method investment                  | —             | —             | —             | 617           | —            | —               | —              | 617           |
| Other income (expense), net                                | 38            | 24            | 10            | (11)          | 1            | 2               | 34             | 98            |
| Income (loss) before interest and tax <sup>(1)</sup>       | 767           | 345           | 203           | 620           | 12           | (200)           | (20)           | 1,727         |
| Net interest (expense) income <sup>(2)</sup>               | (145)         | (72)          | (14)          | (8)           | 2            | 19              | (185)          | (403)         |
| Income tax (expense) benefit                               | (204)         | (75)          | (46)          | (170)         | 29           | 77              | 105            | (284)         |
| Equity earnings, net of income tax                         | —             | —             | 3             | 66            | —            | —               | —              | 69            |
| Losses (earnings) attributable to noncontrolling interests | 1             | —             | (19)          | (101)         | —            | —               | 1              | (118)         |
| Earnings (losses)                                          | <u>\$ 419</u> | <u>\$ 198</u> | <u>\$ 127</u> | <u>\$ 407</u> | <u>\$ 43</u> | <u>\$ (104)</u> | <u>\$ (99)</u> | <u>\$ 991</u> |

(1) Management believes Income (Loss) Before Interest and Tax is a useful measurement of our segments' performance because it can be used to evaluate the effectiveness of our operations exclusive of interest and income tax, neither of which is directly relevant to the efficiency of those operations.

(2) Includes interest income, interest expense and preferred dividends of subsidiary.

[SRE-F]



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