



Fourth Quarter 2016 Earnings Results

February 28, 2017

Information Regarding Forward-Looking Statements

We make statements in this report that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon assumptions with respect to the future, involve risks and uncertainties, and are not guarantees of performance. These forward-looking statements represent our estimates and assumptions only as of the filing date of this report. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors. In this report, when we use words such as “believes,” “expects,” “anticipates,” “plans,” “estimates,” “projects,” “forecasts,” “contemplates,” “assumes,” “depends,” “should,” “could,” “would,” “will,” “confident,” “may,” “potential,” “possible,” “proposed,” “target,” “pursue,” “outlook,” “maintain,” or similar expressions, or when we discuss our guidance, strategy, plans, goals, opportunities, projections, initiatives, objectives or intentions, we are making forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in forward-looking statements include 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; and 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 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 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, 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; the ability to win competitively bid infrastructure projects against a number of strong and aggressive competitors; 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, such as the elimination of the deduction for interest and non-deductibility of all, or a portion of, the cost of imported materials, equipment and commodities; changes in foreign and domestic trade policies and laws, including border tariffs, revisions to favorable international trade agreements, and changes that make our exports less competitive or otherwise restrict our ability to export; 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; and other uncertainties, some of which may be difficult to predict and are beyond our control.

These forward-looking statements speak only as of February 28, 2017 and the company undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on the company's website at www.sempra.com.

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Executive Summary

- **Reporting 2016 adjusted earnings⁽¹⁾ of \$5.05 per share**
 - 2016 adjusted earnings⁽¹⁾ include a \$27M, or ~\$0.11 per share, net benefit related to \$20M change in planned repatriation, \$34M adoption of a new accounting standard related to share-based compensation, offset by (\$14M) Peruvian tax reform⁽²⁾ and the (\$13M) North-South impairment;
 - This net benefit partially offsets the loss of equity earnings from the sale of our investment in REX in 2016
- **Updating 2017 earnings guidance to \$4.85 to \$5.25 per share, up from \$4.80 to \$5.20 per share**
- **Increased 2017 dividend by ~9% to \$3.29 per share from \$3.02 per share**
 - Confidence in regulated, long-term contracted future cash flows allows 8% - 9% targeted dividend growth per annum over next several years⁽³⁾
- **Growth drivers are in place and Sempra is focusing on execution of our plan to deliver long-term shareholder value**



1) Sempra Energy Adjusted Earnings-Per-Share (EPS) is a non-GAAP financial measure. See appendix for further details. 2016 GAAP EPS is \$5.46.

2) Amount is shown after noncontrolling interests.

3) The amount and timing of dividends payable and the dividend policy are at the sole discretion of the Sempra Energy Board of Directors and, if declared and paid, dividends may be in amounts that are less than projected.

Execution Focus: California Utilities

Proposed 2-Year Cost of Capital Extension⁽¹⁾

- 10.2% and 10.05% authorized return on equity for SDG&E and SoCalGas, respectively, effective January 1, 2018 through December 31, 2019
- Would true-up ~\$36M of debt costs in 2018⁽²⁾; largely included in prior earnings guidance
- Automatic adjustment mechanism suspended through 2018; in place during 2019

Resolution of Certain Key Aliso Canyon Issues⁽³⁾

- Issues resolved: sealed the leak; DPH conducted indoor and outdoor testing⁽⁴⁾, which facilitated residents moving back home; settled two claims with governmental agencies; strengthened infrastructure
- Focus going forward includes: resume injection; continue collection of insurance proceeds; resolve legal claims

MHI Arbitration & SONGS Settlement

- Final decision in MHI arbitration hearing with Mitsubishi expected in the near future
- In Dec-16, CPUC issued ruling requiring parties to meet and propose modifications to 2014 SONGS settlement by Apr-17
- We believe the existing settlement is consistent with regulatory precedent and in the best interests of the parties



1) Subject to CPUC approval.

2) Approximately \$28M at SoCalGas and \$8M at SDG&E.

3) Please refer to the "Risk Factors" and "Factors Influencing Future Performance" sections of our most recent Annual Report on Form 10-K for a description of the risks and other factors associated with Aliso Canyon.

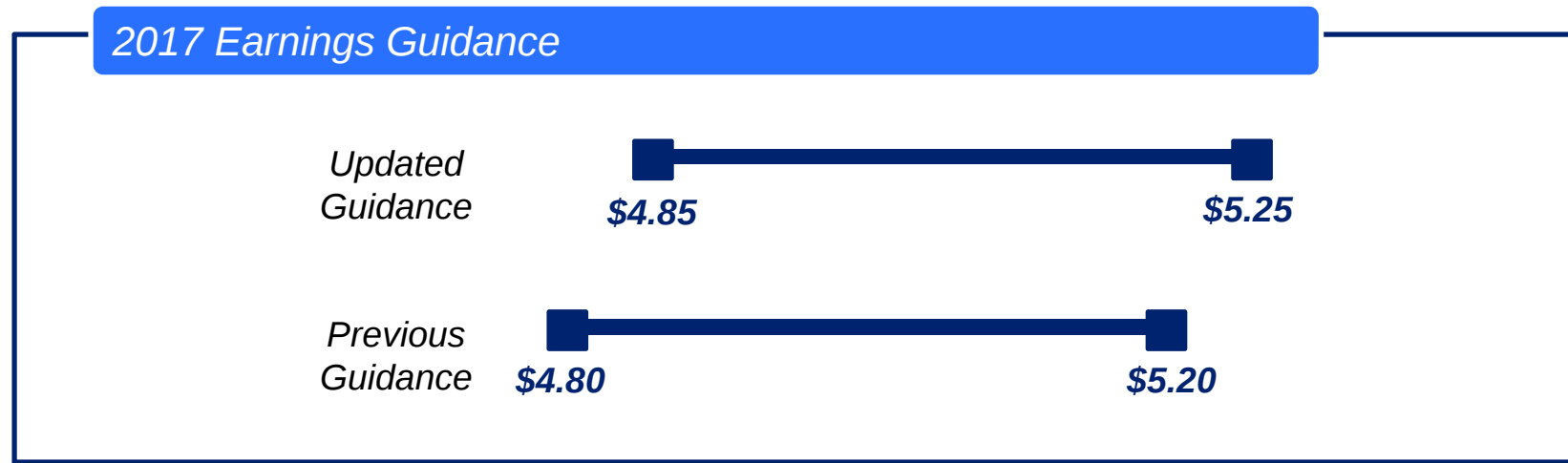
4) The Department of Public Health did their own independent testing both indoors and outside. They stated they do not expect any long-term health effects from the methane, odorants, or metals in homes, and that benzene levels in all cases remained below health protection limits.

Execution Focus: Cameron LNG⁽¹⁾

Cameron Trains 1-3

- Construction of Cameron JV Trains 1-3 is a top priority for Sempra and other Cameron JV partners
- Executive management from Cameron JV and Cameron's contractor have met and had numerous discussions to review current working schedule, enhancing communications
- Cameron contractor has implemented mitigating measures; Sempra and other owners are receiving weekly progress reports enabling more granular monitoring
- Projected in-service dates from contractor's working schedule remain:
 - Train 1 in mid-2018
 - Train 2 in end 2018
 - Train 3 in mid-2019
- Schedule does not include potential for major unforeseen events
- Two important safeguards:
 - Lump sum, turn-key EPC contract is generally designed to transfer certain cost overrun and schedule risk to Cameron's contractor
 - Tariff adjustment mechanism designed to materially preserve IRR of project in connection with cost overruns and schedule changes
- All parties committed to delivering a reliable, high-quality LNG facility

Raising 2017 Earnings Guidance



- Key drivers of increased 2017 earnings guidance:
 - Strong operational earnings at SDG&E and IEnova, and
 - Change in planned repatriation of current foreign earnings, partially offset by
 - Higher insurance costs, partially offset by cost savings, at the California utilities

Fourth Quarter and Full Year 2016 Results

(Dollars, except EPS, and shares, in millions)	Three months ended		Years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	(Unaudited)			
GAAP Earnings	\$ 379	\$ 369	\$ 1,370	\$ 1,349
Gain in Connection with GdC Acquisition	-	-	(350)	-
Gain on Sale of EnergySouth	-	-	(78)	-
Permanent Releases of Pipeline Capacity	-	-	123	-
Losses Related to TdM Held For Sale	4	-	95	-
Tax Repairs Adjustments Related to General Rate Case (GRC)	-	-	80	-
Loss Related to REX	-	-	27	-
Adjustment to Loss on SONGS Plant Closure	-	(2)	-	(15)
Gain on Sale of Mesquite Power Block 2	-	-	-	(36)
Adjusted Earnings ⁽¹⁾	<u>\$ 383</u>	<u>\$ 367</u>	<u>\$ 1,267</u>	<u>\$ 1,298</u>
Diluted weighted-average shares outstanding	252	251	251	251
GAAP EPS	\$ 1.51	\$ 1.47	\$ 5.46	\$ 5.37
Adjusted EPS ⁽¹⁾	\$ 1.52	\$ 1.46	\$ 5.05	\$ 5.17

1) Sempra Energy Adjusted Earnings and Adjusted EPS are non-GAAP financial measures and are shown after-tax, and if applicable, after noncontrolling interests. See appendix for information regarding non-GAAP financial measures and descriptions of adjustments above. Adjusted Earnings and Adjusted EPS for the three months and year ended December 31, 2015 have been revised to include after-tax LNG development expenses of \$3M and \$10M, respectively, for consistency with the comparable periods in 2016. LNG development expenses are included in Adjusted Earnings and Adjusted EPS in 2016.



Comparison of 2016 to 2015

<i>(Dollars in millions)</i>	
2015 Adjusted Earnings ⁽¹⁾	\$ 1,298
Variances from 2016 to 2015	
Change in planned repatriation (Reversal in 2016 of \$20M expense in 2015)	40
Accounting for share-based compensation methodology change	34
Impairment of North-South Pipeline	(13)
Revaluation of deferred tax liability related to Peruvian tax reform ⁽²⁾	(14)
Lower equity earnings due to the sale of interest in REX	(36)
Higher CPUC base margin net of operating expenses, partially offset by lower favorable taxes at California utilities	9
Lower favorable impact of resolution of prior years' taxes at Parent	(14)
Lower favorable impact from foreign currency and inflation at Mexico and South American Utilities ⁽²⁾	(25)
Other	(12)
Net Variances	(31)
2016 Adjusted Earnings ⁽¹⁾	\$ 1,267

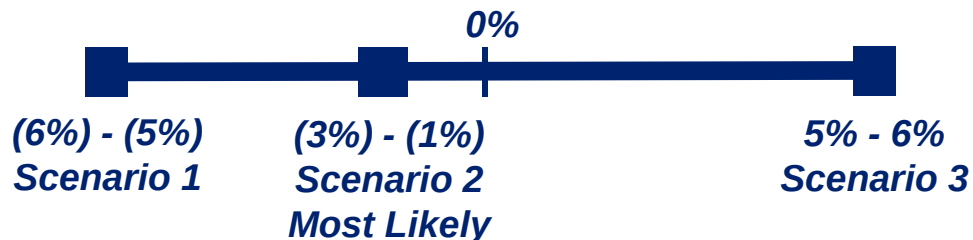


1) Sempra Energy Adjusted Earnings is a non-GAAP financial measure. Sempra Energy reported GAAP earnings of \$1,370M in 2016 and \$1,349M in 2015. See appendix for further details.

2) Amount is shown after noncontrolling interests.

Proposed Tax Reform⁽¹⁾

2020-2021 Proposed Tax Reform EPS Implications



Assumptions	Scenario 1	Scenario 2 ⁽²⁾	Scenario 3
- CA Utilities track income tax differences in memo account 20% corporate tax rate 100% expensing of capital - Use foreign cash to reduce domestic debt	✓	✓	✓
Non-deductibility of interest	✓	New debt only ⁽²⁾	New debt only
Border adjustment exemption for Cameron			✓

Summary

- We have recently executed operationally and financially and resolved certain key challenges, setting ourselves up for a strong 2017
- **Reported 2016 adjusted earnings⁽¹⁾ of \$5.05 per share**
- **Raised 2017 earnings guidance to \$4.85 to \$5.25 per share, up from \$4.80 to \$5.20 per share**
- **Increased 2017 dividend by ~9% to \$3.29 per share from \$3.02 per share**
 - Confidence in regulated, long-term contracted future cash flows allows 8% - 9% targeted dividend growth per annum for next several years⁽²⁾
- **Growth drivers are in place and Sempra is focused on execution of our plan to deliver long-term shareholder value**
- Upcoming 2017 Analyst Conference in San Diego on April 4th and 5th



1) Sempra Energy Adjusted Earnings is a non-GAAP financial measure. Sempra Energy reported GAAP earnings of \$1,370M in 2016 and \$1,349M in 2015. See appendix for further details.

2) The amount and timing of dividends payable and the dividend policy are at the sole discretion of the Sempra Energy Board of Directors and, if declared and paid, dividends may be in amounts that are less than projected.

Appendix

Appendix

- Fourth Quarter 2016 Key Drivers
- Segment Earnings
- Non-GAAP Financial Measures

Fourth Quarter 2016 Key Drivers

- \$383M adjusted earnings⁽¹⁾ reported in Q4-16 compared to \$367M adjusted earnings⁽¹⁾ in Q4-15. The increase in adjusted earnings is primarily due to:
 - \$17M higher earnings at the California utilities, primarily due to:
 - \$26M higher CPUC base margin, net of operating expenses, partially offset by
 - \$8M lower regulatory awards, and
 - \$8M lower earnings associated with the income tax tracking mechanism from the final 2016 GRC decision
 - \$17M lower loss at Parent, primarily due to:
 - \$35M lower tax expense related to change in planned repatriation, partially offset by
 - \$15M higher income tax benefits in Q4-15, offset by
 - \$17M increase in deferred income tax expense related to Peruvian tax reform⁽²⁾



1) Sempra Energy Adjusted Earnings is a non-GAAP financial measure. Sempra Energy reported GAAP earnings of \$379M in Q4-16 and \$369M in Q4-15. See slides 8 and 22 for further details.
2) Amount shown before noncontrolling interest.

SDG&E

(Dollars in millions)	Three months ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
	(Unaudited)			
SDG&E GAAP Earnings	\$ 151	\$ 144	\$ 570	\$ 587
Tax Repairs Adjustments Related to GRC	-	-	31	-
Adjustment to Loss on SONGS Plant Closure	-	(2)	-	(15)
SDG&E Adjusted Earnings ⁽¹⁾	\$ 151	\$ 142	\$ 601	\$ 572

- Q4-16 adjusted earnings⁽¹⁾ higher primarily due to \$14M higher CPUC base margin, net of operating expenses, partially offset by \$3M lower regulatory awards and \$3M lower earnings associated with the income tax tracking mechanism from the 2016 GRC final decision
 - The 2016 GRC final decision requires tracking of tax differences from rate case authorized levels
- 2016 adjusted earnings⁽¹⁾ higher primarily due to:
 - \$23M higher CPUC base margin, net of operating expenses, and
 - \$14M higher earnings related to new accounting standard on share-based compensation and lower net interest expense, partially offset by
 - \$9M lower favorable impact of resolution of prior years' income tax items

1) SDG&E Adjusted Earnings is a non-GAAP financial measure. See slide 23 for information regarding non-GAAP financial measures and descriptions of adjustments above.

SoCalGas

(Dollars in millions)	Three months ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
	(Unaudited)			
SoCalGas GAAP Earnings	\$ 151	\$ 143	\$ 349	\$ 419
Tax Repairs Adjustments Related to GRC	-	-	49	-
SoCalGas Adjusted Earnings ⁽¹⁾	\$ 151	\$ 143	\$ 398	\$ 419

- Q4-16 earnings higher primarily due to:
 - \$12M higher CPUC base margin, net of operating expenses, and
 - \$6M higher earnings from PSEP and AMI, partially offset by
 - \$5M lower earnings associated with the income tax tracking mechanism
 - The 2016 GRC final decision requires tracking of tax differences from rate case authorized levels, and
 - \$5M lower regulatory awards, primarily due to timing of GCIM award received Q4-15

SoCalGas (continued)

- 2016 adjusted earnings⁽¹⁾ lower primarily due to:
 - \$16M lower earnings associated with the income tax tracking mechanism from the 2016 GRC final decision,
 - \$16M lower favorable impact of resolution of prior years' income tax items,
 - \$13M lower earnings from impairment of North-South pipeline project,
 - \$13M lower regulatory awards, primarily due to timing of GCIM award received Q4-15, and
 - \$11M retroactive benefit approved in 2015 for 2012-2014 increased CPUC rate base, partially offset by
 - \$27M higher CPUC base margin, net of operating expenses, and
 - \$23M higher earnings from PSEP and AMI

Sempra South American Utilities⁽¹⁾

(Dollars in millions)	Three months ended		Years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	(Unaudited)			
Sempra South American Utilities GAAP Earnings	\$ 29	\$ 46	\$ 156	\$ 175

- Q4-16 earnings lower primarily due to \$17M increase in deferred income tax expense related to Peruvian tax reform
- 2016 earnings lower primarily due to:
 - \$15M higher income tax expense, primarily due to \$17M increase in deferred income tax expense related to Peruvian tax reform, and
 - \$9M lower earnings from foreign currency translation effects

1) All variance explanations are shown before noncontrolling interests.

Sempra Mexico⁽¹⁾

(Dollars in millions)	Three months ended		Years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	(Unaudited)			
Sempra Mexico GAAP Earnings	\$ 56	\$ 53	\$ 463	\$ 213
Gain in Connection with GdC Acquisition	-	-	(350)	-
Losses Related to TdM Held For Sale	4	-	95	-
Sempra Mexico Adjusted Earnings ⁽²⁾	\$ 60	\$ 53	\$ 208	\$ 213

- Q4-16 adjusted earnings⁽²⁾ higher primarily due to \$18M incremental earnings from GdC acquisition in September 2016, partially offset by \$14M higher noncontrolling interest related to equity offering in Oct-16
- 2016 adjusted earnings⁽²⁾ in line with last year and include:
 - \$20M incremental earnings from GdC acquisition, and
 - \$8M higher earnings from our distribution company, primarily associated with new distribution rates, offset by
 - \$14M higher noncontrolling interest related to equity offering in Oct-16, and
 - \$13M lower favorable impact from foreign currency and inflation

Sempra LNG & Midstream

(Dollars in millions)	Three months ended December 31,		Years ended December 31,	
	2016	2015	2016	2015
	(Unaudited)			
Sempra LNG & Midstream GAAP Earnings (Losses)	\$ (3)	\$ 1	\$ (107)	\$ 44
Gain on Sale of EnergySouth	-	-	(78)	-
Loss Related to REX	-	-	27	-
Permanent Releases of Pipeline Capacity	-	-	123	-
Gain on Sale of Mesquite Power Block 2	-	-	-	(36)
Sempra LNG & Midstream Adjusted Earnings (Losses) ⁽¹⁾	\$ (3)	\$ 1	\$ (35)	\$ 8

- Q4-16 results in line with last year and include:
 - \$16M higher results related to natural gas price movements, including reversal of losses related to gas held in inventory, offset by
 - \$16M lower equity earnings due to sale of interest in REX
- 2016 adjusted losses⁽¹⁾ lower primarily due to \$36M lower equity earnings due to sale of interest in REX



1) Sempra LNG & Midstream Adjusted Earnings (Losses) is a non-GAAP financial measure. See slide 24 for information regarding non-GAAP financial measures and description of adjustments above. Sempra Energy and Sempra LNG & Midstream Adjusted Earnings (Losses) for the quarter and year ended December 31, 2015 have been revised to include after-tax LNG development expenses of \$3M and \$10M, respectively, for consistency with the comparable periods in 2016. LNG development expenses are included in Sempra Energy and Sempra LNG & Midstream Adjusted Earnings (Losses) in 2016.

Sempra Renewables

(Dollars in millions)	Three months ended		Years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	(Unaudited)			
Sempra Renewables GAAP Earnings	\$ 12	\$ 16	\$ 55	\$ 63

- Q4-16 Renewables earnings lower primarily due to \$5M gain on sale of Rosamond Solar in Q4-15
- 2016 earnings lower primarily due to:
 - \$12M lower solar investment tax credits from projects placed in service in 2015, and
 - \$5M lower earnings from gain on sale of Rosamond Solar in Q4-15, partially offset by
 - \$8M higher operational earnings

Non-GAAP Financial Measures

Sempra Energy Adjusted Earnings and Adjusted Earnings-Per-Share (Unaudited) Exclude:

In the quarter ended December 31, 2016:

- \$(4) million deferred income tax expense related to our decision to hold Termoeléctrica de Mexicali (TdM) for sale

In the quarter ended December 31, 2015:

- \$2 million (\$5 million pretax) reduction in the plant closure loss at San Diego Gas & Electric (SDG&E) related to the San Onofre Nuclear Generating Station (SONGS) for the shareholder portion of a settlement agreement with Nuclear Electric Insurance Limited to resolve all of SONGS' insurance claims arising out of the failures of replacement steam generators

In the year ended December 31, 2016:

- \$350 million, after tax and noncontrolling interests, noncash gain (\$617 million pretax and before noncontrolling interests) from the remeasurement of our Mexican subsidiary, IEnova's, 50 percent equity interest in Gasoductos de Chihuahua (GdC) in connection with IEnova's September 2016 acquisition of Petroleos Mexicanos' (PEMEX) 50-percent interest in GdC
- \$78 million (\$130 million pretax) gain on the sale of EnergySouth
- \$(123) million (\$206 million pretax) losses from the permanent release of pipeline capacity at Sempra LNG & Midstream
- \$(80) million (\$135 million pretax) 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 (\$44 million pretax) impairment charge related to Sempra LNG & Midstream's investment in Rockies Express Pipeline LLC (Rockies Express)
- \$(90) million, after tax and noncontrolling interests, (\$131 million pretax and before noncontrolling interests) impairment of assets held for sale at TdM
- \$(5) million deferred income tax expense related to our decision to hold TdM for sale

In the year ended December 31, 2015:

- \$36 million (\$61 million pretax) gain on the sale of the remaining block of Sempra LNG & Midstream's Mesquite Power plant
- \$15 million (\$26 million pretax) reduction in the plant closure loss related to SONGS, \$13 million of which is due to California Public Utilities Commission (CPUC) approval of a compliance filing related to SDG&E's authorized recovery of its investment in SONGS

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 nature of these items, management believes that these non-GAAP financial measures provide a meaningful comparison of the performance of Sempra Energy's business operations from 2016 to 2015 and to future periods, and also as a base for projection of future earnings-per-share compound annual growth rate (EPS CAGR) from 2016 to 2020. 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. Slide 8 reconciles for historical periods these non-GAAP financial measures to Sempra Energy Earnings and Diluted Earnings Per Common Share, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

Non-GAAP Financial Measures (continued)

San Diego Gas & Electric Company (SDG&E) Adjusted Earnings (Unaudited) Exclude:

In the quarter ended December 31, 2015:

- \$2 million (\$5 million pretax) reduction in the plant closure loss related to SONGS for the shareholder portion of a settlement agreement with Nuclear Electric Insurance Limited to resolve all of SONGS' insurance claims arising out of the failures of replacement steam generators

In the year ended December 31, 2016:

- \$(31) million (\$52 million pretax) adjustments related to tax repairs deductions reallocated to ratepayers as a result of the 2016 GRC FD

In the year ended December 31, 2015:

- \$15 million (\$26 million pretax) reduction in the plant closure loss related to SONGS, \$13 million of which is due to CPUC approval of a compliance filing related to SDG&E's authorized recovery of its investment in SONGS

Southern California Gas Company (SoCalGas) Adjusted Earnings (Unaudited) Exclude:

In the year ended December 31, 2016:

- \$(49) million (\$83 million pretax) adjustments related to tax repairs deductions reallocated to ratepayers as a result of the 2016 GRC FD

SDG&E and SoCalGas Adjusted Earnings are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States of America). Because of the significance and nature of these items, management believes that these non-GAAP financial measures provide a meaningful comparison of the performance of SDG&E's and SoCalGas' business operations from 2016 to 2015 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Slides 15-17 of this presentation reconcile these non-GAAP financial measures to SDG&E Earnings and SoCalGas Earnings, respectively, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

Non-GAAP Financial Measures (continued)

Sempra Mexico Adjusted Earnings (Unaudited) Exclude:

In the quarter ended December 31, 2016:

- \$(4) million deferred income tax expense related to our decision to hold TdM for sale

In the year ended December 31, 2016:

- \$350 million, after tax and noncontrolling interests, noncash gain (\$617 million pretax and before noncontrolling interests) from the remeasurement of our Mexican subsidiary, IEnova's, 50-percent equity interest in Gasoductos de Chihuahua (GdC) in connection with IEnova's September 2016 acquisition of Petroleos Mexicanos' (PEMEX) 50-percent interest in GdC
- \$(90) million, after tax and noncontrolling interests, (\$131 million pretax and before noncontrolling interests) impairment of assets held for sale at TdM
- \$(5) million deferred income tax expense related to our decision to hold TdM for sale

Sempra LNG & Midstream Adjusted (Losses) Earnings (Unaudited) Exclude:

In the year ended December 31, 2016:

- \$78 million (\$130 million pretax) gain on the sale of EnergySouth
- \$(123) million (\$206 million pretax) losses from the permanent release of pipeline capacity
- \$(27) million (\$44 million pretax) impairment charge related to the investment in Rockies Express

In the year ended December 31, 2015:

- \$36 million (\$61 million pretax) gain on the sale of the remaining block of the Mesquite Power plant

Sempra Mexico and Sempra LNG & Midstream Adjusted Earnings are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States of America). Because of the significance and nature of these items, management believes that these non-GAAP financial measures provide a meaningful comparison of the performance of Sempra Mexico's and Sempra LNG & Midstream's business operations from 2016 to 2015 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Slides 19-20 of this presentation reconcile these non-GAAP financial measures to Sempra Mexico Earnings and Sempra LNG & Midstream (Losses) Earnings, respectively, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

Non-GAAP Financial Measures (continued)

Sempra Energy 2016 Adjusted Earnings-Per-Share (EPS) Guidance Range (Unaudited) Excludes:

- \$350 million, after tax and noncontrolling interests, noncash gain (\$617 million pretax and before noncontrolling interests) from the remeasurement of our equity method investment in GdC, a 50-50 joint venture between our Mexican subsidiary, IEnova, and PEMEX, in connection with IEnova's September 2016 acquisition of PEMEX's 50-percent interest in GdC
- \$78 million (\$130 million pretax) gain on the sale of EnergySouth
- \$(123) million (\$206 million pretax) losses from the permanent release of pipeline capacity at Sempra LNG & Midstream
- \$(80) million (\$135 million pretax) adjustments related to tax repairs deductions reallocated to ratepayers as a result of the 2016 GRC FD at the California utilities
- \$(27) million (\$44 million pretax) impairment charge related to Sempra LNG & Midstream's investment in Rockies Express
- \$(90) million, after tax and noncontrolling interests, (\$131 million pretax and before noncontrolling interests) impairment of assets held for sale at Sempra Mexico's TdM and \$1 million related deferred income tax expense

Sempra Energy 2016 Adjusted EPS Guidance is a non-GAAP financial measure. Because of the significance and nature of the excluded items, management believes that this non-GAAP financial measure provides a meaningful comparison of the performance of the business and the comparability of such results to prior and future periods and also as a base for projected earnings-per-share CAGR. Sempra Energy 2016 Adjusted Earnings-Per-Share Guidance should not be considered an alternative to diluted EPS guidance determined in accordance with GAAP. The table below reconciles Sempra Energy 2016 Adjusted EPS Guidance Range to Sempra Energy 2016 EPS Guidance Range, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

	Full Year 2016	
Sempra Energy GAAP EPS Guidance Range ⁽¹⁾	\$ 5.00	to \$ 5.40
Gain in Connection with GdC Acquisition	(1.38)	(1.38)
Gain on Sale of Energy South	(0.31)	(0.31)
Permanent Releases of Pipeline Capacity	0.49	0.49
Losses Related to TdM Held for Sale	0.36	0.36
Tax Repairs Adjustments Related to 2016 GRC FD	0.33	0.33
Loss Related to REX	0.11	0.11
Sempra Energy Adjusted EPS Guidance Range ⁽¹⁾	\$ 4.60	to \$ 5.00

1) Sempra Energy GAAP EPS Guidance Range and Sempra Energy Adjusted EPS Guidance Range are calculated using a weighted average number of shares (diluted) of 253 million shares.

Non-GAAP Financial Measures (continued)

California utilities 2016 Adjusted Earnings as a Percentage of 2016 Sempra Energy Adjusted Earnings (Unaudited) is a non-GAAP financial measure, as it is based on Adjusted Earnings of SDG&E, SoCalGas and Sempra Energy, which exclude certain items from GAAP Earnings. Because of the nature and significance of the excluded items, management believes that this non-GAAP financial measure provides a meaningful measure of the significance of total California utilities Earnings to total Sempra Energy Earnings. California utilities 2016 Adjusted Earnings as a Percentage of 2016 Sempra Energy Adjusted Earnings should not be considered an alternative to California utilities 2016 GAAP Earnings as a Percentage of 2016 Sempra Energy GAAP Earnings, the most directly comparable financial measure calculated in accordance with GAAP. The table below reconciles these two financial measures.

<i>(Dollars in millions)</i>	GAAP Earnings	Adjusted Earnings ⁽¹⁾
SDG&E	\$ 570	\$ 601
SoCalGas	349	398
	<u>\$ 919</u> 67%	<u>\$ 999</u> 79%
Sempra Energy	<u>\$ 1,370</u> 100%	<u>\$ 1,267</u> 100%

1) Reconciliations of 2016 Adjusted Earnings to 2016 GAAP Earnings for Sempra Energy, SDG&E and SoCalGas can be found on slides 8, 15, and 16-17, respectively.