




UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended \_\_\_\_\_ or \_\_\_\_\_  
September 30, 2023
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No.	Exact Name of Registrant as Specified in its Charter, Address of Principal Executive Office and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.	Former name, former address and former fiscal year, if changed since last report
1-14201	SEMPRA 488 8th Avenue San Diego, California 92101 (619) 696-2000 	California	33-0732627	No change
1-03779	SAN DIEGO GAS & ELECTRIC COMPANY 8330 Century Park Court San Diego, California 92123 (619) 696-2000 	California	95-1184800	No change
1-01402	SOUTHERN CALIFORNIA GAS COMPANY 555 West 5th Street Los Angeles, California 90013 (213) 244-1200 	California	95-1240705	No change

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
SEMPRA:		
Common Stock, without par value	SRE	New York Stock Exchange
5.75% Junior Subordinated Notes Due 2079, \$25 par value	SREA	New York Stock Exchange
SAN DIEGO GAS & ELECTRIC COMPANY:		
None		
SOUTHERN CALIFORNIA GAS COMPANY:		
None		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Sempra	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Sempra	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Sempra:

<input checked="" type="checkbox"/> Large Accelerated Filer	<input type="checkbox"/> Accelerated Filer	<input type="checkbox"/> Non-accelerated Filer	<input type="checkbox"/> Smaller Reporting Company	<input type="checkbox"/> Emerging Growth Company
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San Diego Gas & Electric Company:

<input type="checkbox"/> Large Accelerated Filer	<input type="checkbox"/> Accelerated Filer	<input checked="" type="checkbox"/> Non-accelerated Filer	<input type="checkbox"/> Smaller Reporting Company	<input type="checkbox"/> Emerging Growth Company
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Southern California Gas Company:

<input type="checkbox"/> Large Accelerated Filer	<input type="checkbox"/> Accelerated Filer	<input checked="" type="checkbox"/> Non-accelerated Filer	<input type="checkbox"/> Smaller Reporting Company	<input type="checkbox"/> Emerging Growth Company
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Sempra	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Southern California Gas Company	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Sempra	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
San Diego Gas & Electric Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Southern California Gas Company	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

Indicate the number of shares outstanding of each of the issuers’ classes of common stock, as of the latest practicable date.

Common stock outstanding on October 31, 2023:

Sempra	629,328,058 shares
San Diego Gas & Electric Company	Wholly owned by Enova Corporation, which is wholly owned by Sempra
Southern California Gas Company	Wholly owned by Pacific Enterprises, which is wholly owned by Sempra

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This combined Form 10-Q is separately filed by Sempra, San Diego Gas & Electric Company and Southern California Gas Company. Information contained herein relating to any one of these individual reporting entities is filed by such entity on its own behalf. Each such reporting entity makes statements herein only as to itself and its consolidated entities and makes no statement whatsoever as to any other entity.

You should read this report in its entirety as it pertains to each respective reporting entity. No one section of the report deals with all aspects of the subject matter. A separate Part I – Item 1 is provided for each reporting entity, except for the Notes to Condensed Consolidated Financial Statements, which are combined for all of the reporting entities. All Items other than Part I – Item 1 are combined for the three reporting entities.

None of the website references in this report are active hyperlinks, and the information contained on or that can be accessed through any such website is not and shall not be deemed to be part of or incorporated by reference in this report or any other document that we file with or furnish to the SEC.

The following terms and abbreviations appearing in this report have the meanings indicated below.

**GLOSSARY**

AB	California Assembly Bill
ADIA	Black Silverback ZC 2022 LP (assignee of Black River B 2017 Inc.), a wholly owned affiliate of Abu Dhabi Investment Authority
AFUDC	allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2022
AOCI	accumulated other comprehensive income (loss)
ARO	asset retirement obligation
ASEA	Agencia de Seguridad, Energía y Ambiente (Mexico's National Agency for Industrial Safety and Environmental Protection)
ASR	accelerated share repurchase
Bcf	billion cubic feet
Bechtel	Bechtel Energy Inc. (formerly known as Bechtel Oil, Gas and Chemicals, Inc.)
bps	basis points
Cameron LNG JV	Cameron LNG Holdings, LLC
Cameron LNG Phase 1 facility	Cameron LNG JV liquefaction facility
Cameron LNG Phase 2 project	Cameron LNG JV liquefaction expansion project
CCA	Community Choice Aggregation
CCM	cost of capital adjustment mechanism
CFE	Comisión Federal de Electricidad (Mexico's Federal Electricity Commission)
CFIN	Cameron LNG FINCO, LLC, a wholly owned and unconsolidated affiliate of Cameron LNG JV
ConocoPhillips	ConocoPhillips Company
COVID-19	coronavirus disease 2019
CPUC	California Public Utilities Commission
CRE	Comisión Reguladora de Energía (Mexico's Energy Regulatory Commission)
CRR	congestion revenue right
DOE	U.S. Department of Energy
ECA LNG	ECA LNG Phase 1 and ECA LNG Phase 2, collectively
ECA LNG Phase 1	ECA LNG Holdings B.V.
ECA LNG Phase 2	ECA LNG II Holdings B.V.
ECA Regas Facility	Energía Costa Azul, S. de R.L. de C.V. LNG regasification facility
Ecogas	Ecogas México, S. de R.L. de C.V.
Edison	Southern California Edison Company, a subsidiary of Edison International
EFH	Energy Future Holdings Corp. (renamed Sempra Texas Holdings Corp.)
EPC	engineering, procurement and construction
EPS	earnings per common share
ETR	effective income tax rate
Exchange Act	Securities Exchange Act of 1934, as amended
FEED	front-end engineering design
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings, Inc.
FTA	Free Trade Agreement
GCIM	Gas Cost Incentive Mechanism
GHG	greenhouse gas
GRC	General Rate Case
HOA	Heads of Agreement
IEnova	Infraestructura Energética Nova, S.A.P.I. de C.V.
IMG	Infraestructura Marina del Golfo
INEOS	INEOS Energy Trading LTD., a subsidiary of INEOS Ltd.
IOU	investor-owned utility
IRA	Inflation Reduction Act of 2022
IRS	U.S. Internal Revenue Service

**GLOSSARY (CONTINUED)**

ISO	Independent System Operator
JV	joint venture
KKR Denali	KKR Denali Holdco LLC, an affiliate of Kohlberg Kravis Roberts & Co. L.P.
KKR Pinnacle	KKR Pinnacle Investor L.P. (as successor-in-interest to KKR Pinnacle Aggregator L.P.), an affiliate of Kohlberg Kravis Roberts & Co. L.P.
LA Superior Court	Los Angeles County Superior Court
Leak	the leak at the SoCalGas Aliso Canyon natural gas storage facility injection-and-withdrawal well, SS25, discovered by SoCalGas on October 23, 2015
LNG	liquefied natural gas
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBtu	million British thermal units (of natural gas)
Moody's	Moody's Investors Service, Inc.
MOU	Memorandum of Understanding
Mtpa	million tonnes per annum
MWh	megawatt hour
NCI	noncontrolling interest(s)
NDT	nuclear decommissioning trusts
O&M	operation and maintenance expense
OCI	other comprehensive income (loss)
OEIS	Office of Energy Infrastructure Safety
OII	Order Instituting Investigation
Oncor	Oncor Electric Delivery Company LLC
Oncor Holdings	Oncor Electric Delivery Holdings Company LLC
ORLEN	Polski Koncern Naftowy Orlen S.A. (formerly Polish Oil & Gas Company)
OSC	Order to Show Cause
PA LNG Phase 1 project	initial phase of the Port Arthur LNG liquefaction project
PA LNG Phase 2 project	second phase of the Port Arthur LNG liquefaction project
PBOP	postretirement benefits other than pension
Port Arthur LNG	Port Arthur LNG, LLC, an indirect subsidiary of SI Partners that owns the PA LNG Phase 1 project
PP&E	property, plant and equipment
PPA	power purchase agreement
PUCT	Public Utility Commission of Texas
RBS	The Royal Bank of Scotland plc
RBS SEE	RBS Sempra Energy Europe
RBS Sempra Commodities	RBS Sempra Commodities LLP
ROE	return on equity
RSU	restricted stock unit
S&P	S&P Global Ratings, a division of S&P Global Inc.
SB	California Senate Bill
SDG&E	San Diego Gas & Electric Company
SDSRA	Senior Debt Service Reserve Account
SEC	U.S. Securities and Exchange Commission
SED	Safety and Enforcement Division of the CPUC
SEDATU	Secretaría de Desarrollo Agrario, Territorial y Urbano (Mexico's agency in charge of agriculture, land and urban development)
Sempra California	San Diego Gas & Electric Company and Southern California Gas Company, collectively
SENER	Secretaría de Energía de México (Mexico's Ministry of Energy)
series C preferred stock	Sempra's 4.875% fixed-rate reset cumulative redeemable perpetual preferred stock, series C
SI Partners	Sempra Infrastructure Partners, LP, the holding company for most of Sempra's subsidiaries not subject to California or Texas utility regulation
SoCalGas	Southern California Gas Company
SOFR	Secured Overnight Financing Rate
SONGS	San Onofre Nuclear Generating Station

**GLOSSARY (CONTINUED)**

SPA	sale and purchase agreement
Support Agreement	support agreement, dated July 28, 2020 and amended on June 29, 2021, among Sempra and Sumitomo Mitsui Banking Corporation
TAG	TAG Norte Holding, S. de R.L. de C.V.
TdM	Termoeléctrica de Mexicali
Technip Energies	TP Oil & Gas Mexico, S. De R.L. De C.V., an affiliate of Technip Energies N.V.
TO5	Electric Transmission Owner Formula Rate, effective June 1, 2019
U.S. GAAP	generally accepted accounting principles in the United States of America
VIE	variable interest entity
Wildfire Fund	the fund established pursuant to AB 1054
Wildfire Legislation	AB 1054 and AB 111

References in this report to “we,” “our,” “us,” “our company” and “Sempra” are to Sempra and its consolidated entities, collectively, unless otherwise stated or indicated by the context. All references in this report to our reportable segments are not intended to refer to any legal entity with the same or similar name.

Throughout this report, we refer to the following as Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements when discussed together or collectively:

- the Condensed Consolidated Financial Statements and related Notes of Sempra;
- the Condensed Financial Statements and related Notes of SDG&E; and
- the Condensed Financial Statements and related Notes of SoCalGas.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on assumptions about the future, involve risks and uncertainties, and are not guarantees. Future results may differ materially from those expressed or implied in any forward-looking statement. 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 otherwise.

Forward-looking statements can be identified by words such as “believe,” “expect,” “intend,” “anticipate,” “contemplate,” “plan,” “estimate,” “project,” “forecast,” “should,” “could,” “would,” “will,” “confident,” “may,” “can,” “potential,” “possible,” “proposed,” “in process,” “construct,” “develop,” “opportunity,” “initiative,” “target,” “outlook,” “optimistic,” “poised,” “maintain,” “continue,” “progress,” “advance,” “goal,” “aim,” “commit,” or similar expressions, or when we discuss our guidance, priorities, strategy, goals, vision, mission, opportunities, projections, intentions or expectations.

Factors, among others, that could cause actual results and events to differ materially from those expressed or implied in any forward-looking statement include:

- California wildfires, including potential liability for damages regardless of fault and any inability to recover all or a substantial portion of costs from insurance, the Wildfire Fund, rates from customers or a combination thereof
- decisions, investigations, inquiries, regulations, denials or revocations of permits, consents, approvals or other authorizations, renewals of franchises, and other actions by the (i) CPUC, CRE, DOE, FERC, PUCT, IRS and other governmental and regulatory bodies and (ii) U.S., Mexico and states, counties, cities and other jurisdictions therein and in other countries where we do business
- the success of business development efforts, construction projects, acquisitions, divestitures, and other significant transactions, including risks in (i) being able to make a final investment decision, (ii) completing construction projects or other transactions on schedule and budget, (iii) realizing anticipated benefits from any of these efforts if completed, and (iv) obtaining third-party consents and approvals
- macroeconomic trends or other factors that could change our capital expenditure plans and their potential impact on rate base or other growth
- litigation, arbitrations, property disputes and other proceedings, and changes to laws and regulations, including those related to tax and trade policy and the energy industry in Mexico
- cybersecurity threats, including by state and state-sponsored actors, of ransomware or other attacks on our systems or the systems of third parties with which we conduct business, including the energy grid or other energy infrastructure, all of which continue to become more pronounced
- the availability, uses, sufficiency, and cost of capital resources and our ability to borrow money or otherwise raise capital on favorable terms and meet our obligations, including due to (i) actions by credit rating agencies to downgrade our credit ratings or place those ratings on negative outlook, (ii) instability in the capital markets, or (iii) rising interest rates and inflation
- failure of foreign governments, state-owned entities and our counterparties to honor their contracts and commitments
- the impact on affordability of SDG&E’s and SoCalGas’ customer rates and their cost of capital and on SDG&E’s, SoCalGas’ and Sempra Infrastructure’s ability to pass through higher costs to customers due to (i) volatility in inflation, interest rates and commodity prices, (ii) with respect to SDG&E’s and SoCalGas’ businesses, the cost of the clean energy transition in California, and (iii) with respect to Sempra Infrastructure’s business, volatility in foreign currency exchange rates
- the impact of climate and sustainability policies, laws, rules, regulations, disclosures and trends, including actions to reduce or eliminate reliance on natural gas, increased uncertainty in the political or regulatory environment for California natural gas distribution companies, the risk of nonrecovery for stranded assets, and our ability to incorporate new technologies
- weather, natural disasters, pandemics, accidents, equipment failures, explosions, terrorism, information system outages or other events that disrupt our operations, damage our facilities or systems, cause the release of harmful materials or fires or subject us to liability for damages, fines and penalties, some of which may not be recoverable through regulatory mechanisms or insurance or may impact our ability to obtain satisfactory levels of affordable insurance
- the availability of electric power, natural gas and natural gas storage capacity, including disruptions caused by failures in the transmission grid, pipeline system or limitations on the withdrawal of natural gas from storage facilities
- Oncor’s ability to reduce or eliminate its quarterly dividends due to regulatory and governance requirements and commitments, including by actions of Oncor’s independent directors or a minority member director
- other uncertainties, some of which are difficult to predict and beyond our control

We caution you not to rely unduly on any forward-looking statements. You should review and carefully consider the risks, uncertainties and other factors that affect our businesses as described herein, in our Annual Report and in other reports we file with the SEC.



## PART I – FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### SEMPRA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(unaudited)			
<b>REVENUES</b>				
Utilities:				
Natural gas	\$ 1,488	\$ 1,587	\$ 7,560	\$ 5,611
Electric	1,250	1,357	3,331	3,663
Energy-related businesses	596	673	2,338	1,710
Total revenues	3,334	3,617	13,229	10,984
<b>EXPENSES AND OTHER INCOME</b>				
Utilities:				
Cost of natural gas	(260)	(505)	(3,254)	(1,835)
Cost of electric fuel and purchased power	(183)	(307)	(385)	(763)
Energy-related businesses cost of sales	(163)	(340)	(437)	(764)
Operation and maintenance	(1,383)	(1,206)	(3,958)	(3,454)
Aliso Canyon litigation and regulatory matters	—	(122)	—	(259)
Depreciation and amortization	(563)	(506)	(1,651)	(1,500)
Franchise fees and other taxes	(169)	(162)	(509)	(474)
Other income (expense), net	3	(40)	75	(3)
Interest income	19	18	60	58
Interest expense	(312)	(282)	(995)	(796)
Income before income taxes and equity earnings	323	165	2,175	1,194
Income tax benefit (expense)	52	(21)	(499)	(435)
Equity earnings	479	417	1,086	1,118
Net income	854	561	2,762	1,877
Earnings attributable to noncontrolling interests	(122)	(65)	(435)	(187)
Preferred dividends	(11)	(11)	(33)	(33)
Preferred dividends of subsidiary	—	—	(1)	(1)
Earnings attributable to common shares	\$ 721	\$ 485	\$ 2,293	\$ 1,656
<b>Basic EPS:</b>				
Earnings	\$ 1.14	\$ 0.77	\$ 3.64	\$ 2.63
Weighted-average common shares outstanding	630,036	629,447	629,963	630,603
<b>Diluted EPS:</b>				
Earnings	\$ 1.14	\$ 0.77	\$ 3.63	\$ 2.62
Weighted-average common shares outstanding	632,324	632,175	632,231	632,914

See Notes to Condensed Consolidated Financial Statements.

**SEMPRA**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
*(Dollars in millions)*

	Sempra shareholders' equity				
	Pretax amount	Income tax benefit (expense)	Net-of-tax amount	Noncontrolling interests (after tax)	Total
	(unaudited)				
Three months ended September 30, 2023 and 2022					
<b>2023:</b>					
Net income	\$ 680	\$ 52	\$ 732	\$ 122	\$ 854
Other comprehensive income (loss):					
Foreign currency translation adjustments	(5)	—	(5)	(2)	(7)
Financial instruments	150	(39)	111	204	315
Pension and other postretirement benefits	2	(1)	1	—	1
Total other comprehensive income	147	(40)	107	202	309
Comprehensive income	\$ 827	\$ 12	\$ 839	\$ 324	\$ 1,163
<b>2022:</b>					
Net income	\$ 517	\$ (21)	\$ 496	\$ 65	\$ 561
Other comprehensive income (loss):					
Foreign currency translation adjustments	—	—	—	(1)	(1)
Financial instruments	60	(15)	45	21	66
Pension and other postretirement benefits	2	—	2	—	2
Total other comprehensive income	62	(15)	47	20	67
Comprehensive income	\$ 579	\$ (36)	\$ 543	\$ 85	\$ 628
Nine months ended September 30, 2023 and 2022					
<b>2023:</b>					
Net income	\$ 2,826	\$ (499)	\$ 2,327	\$ 435	\$ 2,762
Other comprehensive income (loss):					
Foreign currency translation adjustments	16	—	16	6	22
Financial instruments	158	(43)	115	206	321
Pension and other postretirement benefits	(8)	(2)	(10)	—	(10)
Total other comprehensive income	166	(45)	121	212	333
Comprehensive income	2,992	(544)	2,448	647	3,095
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)
Comprehensive income, after preferred dividends of subsidiary	\$ 2,991	\$ (544)	\$ 2,447	\$ 647	\$ 3,094
<b>2022:</b>					
Net income	\$ 2,125	\$ (435)	\$ 1,690	\$ 187	\$ 1,877
Other comprehensive income (loss):					
Foreign currency translation adjustments	5	—	5	—	5
Financial instruments	227	(56)	171	56	227
Pension and other postretirement benefits	15	(2)	13	—	13
Total other comprehensive income	247	(58)	189	56	245
Comprehensive income	2,372	(493)	1,879	243	2,122
Preferred dividends of subsidiary	(1)	—	(1)	—	(1)
Comprehensive income, after preferred dividends of subsidiary	\$ 2,371	\$ (493)	\$ 1,878	\$ 243	\$ 2,121

See Notes to Condensed Consolidated Financial Statements.

**SEMPRA**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(Dollars in millions)*

	September 30, 2023	December 31, 2022 <sup>(1)</sup>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,149	\$ 370
Restricted cash	238	40
Accounts receivable – trade, net	1,939	2,635
Accounts receivable – other, net	498	685
Due from unconsolidated affiliates	42	54
Income taxes receivable	72	113
Inventories	451	403
Prepaid expenses	325	268
Regulatory assets	190	351
Fixed-price contracts and other derivatives	201	803
Greenhouse gas allowances	144	141
Other current assets	61	49
Total current assets	5,310	5,912
<b>Other assets:</b>		
Restricted cash	104	52
Regulatory assets	3,277	2,588
Greenhouse gas allowances	1,219	796
Nuclear decommissioning trusts	827	841
Dedicated assets in support of certain benefit plans	513	505
Deferred income taxes	155	135
Right-of-use assets – operating leases	721	655
Investment in Oncor Holdings	14,148	13,665
Other investments	2,208	2,012
Goodwill	1,602	1,602
Other intangible assets	324	344
Wildfire fund	281	303
Other long-term assets	1,874	1,382
Total other assets	27,253	24,880
<b>Property, plant and equipment:</b>		
Property, plant and equipment	70,348	63,893
Less accumulated depreciation and amortization	(17,176)	(16,111)
Property, plant and equipment, net	53,172	47,782
<b>Total assets</b>	<b>\$ 85,735</b>	<b>\$ 78,574</b>

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

**SEMPRA**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**
*(Dollars in millions)*

	September 30, 2023	December 31, 2022 <sup>(1)</sup>
	(unaudited)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 1,977	\$ 3,352
Accounts payable – trade	2,234	1,994
Accounts payable – other	219	275
Due to unconsolidated affiliates	5	—
Dividends and interest payable	734	621
Accrued compensation and benefits	496	484
Regulatory liabilities	529	504
Current portion of long-term debt and finance leases	974	1,019
Reserve for Aliso Canyon costs	126	129
Greenhouse gas obligations	144	141
Other current liabilities	1,327	1,380
<b>Total current liabilities</b>	<b>8,765</b>	<b>9,899</b>
<b>Long-term debt and finance leases</b>	<b>27,703</b>	<b>24,548</b>
<b>Deferred credits and other liabilities:</b>		
Due to unconsolidated affiliates	303	301
Regulatory liabilities	3,468	3,341
Greenhouse gas obligations	942	565
Pension and other postretirement benefit plan obligations, net of plan assets	309	410
Deferred income taxes	5,095	4,591
Asset retirement obligations	3,584	3,546
Deferred credits and other	2,308	2,117
<b>Total deferred credits and other liabilities</b>	<b>16,009</b>	<b>14,871</b>
<b>Commitments and contingencies (Note 10)</b>		
<b>Equity:</b>		
<b>Preferred stock (50,000,000 shares authorized):</b>		
Preferred stock, series C (900,000 shares outstanding)	889	889
Common stock (1,125,000,000 shares authorized; 629,328,058 and 628,669,356 shares outstanding at September 30, 2023 and December 31, 2022, respectively; no par value)	12,038	12,160
Retained earnings	15,371	14,201
Accumulated other comprehensive income (loss)	(60)	(135)
<b>Total Sempra shareholders' equity</b>	<b>28,238</b>	<b>27,115</b>
Preferred stock of subsidiary	20	20
Other noncontrolling interests	5,000	2,121
<b>Total equity</b>	<b>33,258</b>	<b>29,256</b>
<b>Total liabilities and equity</b>	<b>\$ 85,735</b>	<b>\$ 78,574</b>

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

**SEMPRA**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Dollars in millions)*

	Nine months ended September 30,	
	2023	2022
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,762	\$ 1,877
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,651	1,500
Deferred income taxes and investment tax credits	234	387
Equity earnings	(1,086)	(1,118)
Foreign currency transaction (gains) losses, net	(1)	18
Share-based compensation expense	53	49
Fixed-price contracts and other derivatives	(580)	200
Bad debt expense	368	110
Other	7	47
Reserve for Aliso Canyon costs	(3)	(1,835)
Net change in other working capital components	1,613	(267)
Insurance receivable for Aliso Canyon costs	—	350
Distributions from investments	668	643
Changes in other noncurrent assets and liabilities, net	(557)	(506)
Net cash provided by operating activities	5,129	1,455
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(6,074)	(3,540)
Expenditures for investments	(281)	(275)
Purchases of nuclear decommissioning and other trust assets	(462)	(530)
Proceeds from sales of nuclear decommissioning and other trust assets	503	530
Repayments of advances to unconsolidated affiliates	—	626
Other	10	6
Net cash used in investing activities	(6,304)	(3,183)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common dividends paid	(1,109)	(1,070)
Preferred dividends paid	(22)	(22)
Issuances of common stock	—	4
Repurchases of common stock	(32)	(478)
Issuances of debt (maturities greater than 90 days)	6,911	6,711
Payments on debt (maturities greater than 90 days) and finance leases	(6,018)	(3,365)
Increase (decrease) in short-term debt, net	629	(1,438)
Advances from unconsolidated affiliates	31	28
Proceeds from sales of noncontrolling interests	1,238	1,732
Distributions to noncontrolling interests	(289)	(146)
Contributions from noncontrolling interests	1,036	15
Settlement of cross-currency swaps	(99)	—
Other	(78)	(35)
Net cash provided by financing activities	2,198	1,936
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6	(3)
Increase in cash, cash equivalents and restricted cash	1,029	205
Cash, cash equivalents and restricted cash, January 1	462	581
Cash, cash equivalents and restricted cash, September 30	\$ 1,491	\$ 786

See Notes to Condensed Consolidated Financial Statements.

**SEMPRA**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)***(Dollars in millions)*

	Nine months ended September 30,	
	2023	2022
	(unaudited)	
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest payments, net of amounts capitalized	\$ 836	\$ 732
Income tax payments, net of refunds	162	241
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Repayment of advances from unconsolidated affiliate in lieu of distribution	\$ 36	\$ 32
Accrued capital expenditures	1,200	738
Increase in finance lease obligations for investment in PP&E	47	33
(Decrease) increase in ARO for investment in PP&E	(15)	49
Preferred dividends declared but not paid	22	22
Common dividends declared but not paid	374	360
Contributions from NCI	200	—
Sale of NCI post-closing adjustment payable	11	—

*See Notes to Condensed Consolidated Financial Statements.*

**SEMPRA**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*(Dollars in millions)*

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Sempra shareholders' equity	Non-controlling interests	Total equity
(unaudited)							
Three months ended September 30, 2023							
Balance at June 30, 2023	\$ 889	\$ 12,044	\$ 15,024	\$ (121)	\$ 27,836	\$ 3,178	\$ 31,014
<b>Net income</b>			732		732	122	854
<b>Other comprehensive income</b>				107	107	202	309
Share-based compensation expense		22			22		22
Dividends declared:							
Series C preferred stock (\$12.19/share)			(11)		(11)		(11)
Common stock (\$0.60/share)			(374)		(374)		(374)
Repurchases of common stock		(1)			(1)		(1)
Noncontrolling interest activities:							
Contributions		(11)			(11)	507	496
Distributions						(37)	(37)
Sales		(16)		(46)	(62)	1,048	986
Balance at September 30, 2023	\$ 889	\$ 12,038	\$ 15,371	\$ (60)	\$ 28,238	\$ 5,020	\$ 33,258
Three months ended September 30, 2022							
Balance at June 30, 2022	\$ 889	\$ 12,121	\$ 13,998	\$ (167)	\$ 26,841	\$ 2,212	\$ 29,053
<b>Net income</b>			496		496	65	561
<b>Other comprehensive income</b>				47	47	20	67
Share-based compensation expense		17			17		17
Dividends declared:							
Series C preferred stock (\$12.19/share)			(11)		(11)		(11)
Common stock (\$0.57/share)			(360)		(360)		(360)
Issuances of common stock		1			1		1
Repurchases of common stock		(2)			(2)		(2)
Noncontrolling interest activities:							
Contributions						2	2
Distributions						(40)	(40)
Sale		1			1		1
Balance at September 30, 2022	\$ 889	\$ 12,138	\$ 14,123	\$ (120)	\$ 27,030	\$ 2,259	\$ 29,289

See Notes to Condensed Consolidated Financial Statements.

**SEMPRA**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**
*(Dollars in millions)*

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Sempra shareholders' equity	Non-controlling interests	Total equity
(unaudited)							
Nine months ended September 30, 2023							
Balance at December 31, 2022	\$ 889	\$ 12,160	\$ 14,201	\$ (135)	\$ 27,115	\$ 2,141	\$ 29,256
<b>Net income</b>			2,327		2,327	435	2,762
<b>Other comprehensive income</b>				121	121	212	333
Share-based compensation expense		53			53		53
Dividends declared:							
Series C preferred stock (\$36.57/share)			(33)		(33)		(33)
Common stock (\$1.79/share)			(1,123)		(1,123)		(1,123)
Preferred dividends of subsidiary			(1)		(1)		(1)
Repurchases of common stock		(32)			(32)		(32)
Noncontrolling interest activities:							
Contributions		(145)			(145)	1,236	1,091
Distributions						(289)	(289)
Sales		2		(46)	(44)	1,285	1,241
Balance at September 30, 2023	\$ 889	\$ 12,038	\$ 15,371	\$ (60)	\$ 28,238	\$ 5,020	\$ 33,258
Nine months ended September 30, 2022							
Balance at December 31, 2021	\$ 889	\$ 11,862	\$ 13,548	\$ (318)	\$ 25,981	\$ 1,438	\$ 27,419
<b>Net income</b>			1,690		1,690	187	1,877
<b>Other comprehensive income</b>				189	189	56	245
Share-based compensation expense		49			49		49
Dividends declared:							
Series C preferred stock (\$36.57/share)			(33)		(33)		(33)
Common stock (\$1.72/share)			(1,081)		(1,081)		(1,081)
Preferred dividends of subsidiary			(1)		(1)		(1)
Issuances of common stock		4			4		4
Repurchases of common stock		(478)			(478)		(478)
Noncontrolling interest activities:							
Contributions						15	15
Distributions						(146)	(146)
Sale		701		9	710	709	1,419
Balance at September 30, 2022	\$ 889	\$ 12,138	\$ 14,123	\$ (120)	\$ 27,030	\$ 2,259	\$ 29,289

See Notes to Condensed Consolidated Financial Statements.



**SAN DIEGO GAS & ELECTRIC COMPANY**  
**CONDENSED STATEMENTS OF OPERATIONS**

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(unaudited)			
Operating revenues:				
Electric	\$ 1,254	\$ 1,360	\$ 3,343	\$ 3,672
Natural gas	188	209	1,014	741
Total operating revenues	1,442	1,569	4,357	4,413
Operating expenses:				
Cost of electric fuel and purchased power	200	316	442	806
Cost of natural gas	45	65	462	260
Operation and maintenance	463	439	1,364	1,256
Depreciation and amortization	280	247	810	730
Franchise fees and other taxes	101	97	287	277
Total operating expenses	1,089	1,164	3,365	3,329
Operating income	353	405	992	1,084
Other income, net	25	12	75	68
Interest income	7	2	12	3
Interest expense	(126)	(113)	(367)	(333)
Income before income taxes	259	306	712	822
Income tax benefit (expense)	15	(35)	4	(141)
Net income/Earnings attributable to common shares	\$ 274	\$ 271	\$ 716	\$ 681

See Notes to Condensed Financial Statements.

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)***(Dollars in millions)*

	Pretax amount	Income tax benefit (expense)	Net-of-tax amount
	(unaudited)		
	Three months ended September 30, 2023 and 2022		
<b>2023:</b>			
Net income/Comprehensive income	\$ 259	\$ 15	\$ 274
<b>2022:</b>			
Net income	\$ 306	\$ (35)	\$ 271
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	\$ 307	\$ (35)	\$ 272

Nine months ended September 30, 2023 and 2022

<b>2023:</b>			
Net income/Comprehensive income	\$ 712	\$ 4	\$ 716
<b>2022:</b>			
Net income	\$ 822	\$ (141)	\$ 681
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive income	\$ 823	\$ (141)	\$ 682

*See Notes to Condensed Financial Statements.*

**SAN DIEGO GAS & ELECTRIC COMPANY**
**CONDENSED BALANCE SHEETS**
*(Dollars in millions)*

	September 30, 2023	December 31, 2022 <sup>(1)</sup>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 246	\$ 7
Accounts receivable – trade, net	952	799
Accounts receivable – other, net	155	110
Due from unconsolidated affiliates	8	—
Inventories	147	134
Prepaid expenses	196	179
Regulatory assets	15	247
Fixed-price contracts and other derivatives	86	113
Greenhouse gas allowances	22	22
Other current assets	27	19
Total current assets	1,854	1,630
<b>Other assets:</b>		
Regulatory assets	1,694	1,219
Greenhouse gas allowances	251	196
Nuclear decommissioning trusts	827	841
Right-of-use assets – operating leases	364	281
Wildfire fund	281	303
Other long-term assets	143	146
Total other assets	3,560	2,986
<b>Property, plant and equipment:</b>		
Property, plant and equipment	30,304	28,574
Less accumulated depreciation and amortization	(7,216)	(6,768)
Property, plant and equipment, net	23,088	21,806
Total assets	\$ 28,502	\$ 26,422

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Financial Statements.

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**CONDENSED BALANCE SHEETS (CONTINUED)**
*(Dollars in millions)*

	September 30, 2023	December 31, 2022 <sup>(1)</sup>
	(unaudited)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ —	\$ 205
Accounts payable	854	744
Due to unconsolidated affiliates	49	135
Interest payable	111	63
Accrued compensation and benefits	138	140
Accrued franchise fees	103	120
Regulatory liabilities	300	110
Current portion of long-term debt and finance leases	441	489
Greenhouse gas obligations	22	22
Asset retirement obligations	110	98
Other current liabilities	330	193
<b>Total current liabilities</b>	<b>2,458</b>	<b>2,319</b>
<b>Long-term debt and finance leases</b>	<b>9,453</b>	<b>8,497</b>
<b>Deferred credits and other liabilities:</b>		
Regulatory liabilities	2,417	2,298
Greenhouse gas obligations	130	81
Pension obligation, net of plan assets	27	42
Deferred income taxes	2,596	2,540
Asset retirement obligations	772	789
Deferred credits and other	966	789
<b>Total deferred credits and other liabilities</b>	<b>6,908</b>	<b>6,539</b>
<b>Commitments and contingencies (Note 10)</b>		
<b>Shareholder's equity:</b>		
Preferred stock (45,000,000 shares authorized; none issued)	—	—
Common stock (255,000,000 shares authorized; 116,583,358 shares outstanding; no par value)	1,660	1,660
Retained earnings	8,030	7,414
Accumulated other comprehensive income (loss)	(7)	(7)
<b>Total shareholder's equity</b>	<b>9,683</b>	<b>9,067</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 28,502</b>	<b>\$ 26,422</b>

<sup>(1)</sup> Derived from audited financial statements.  
See Notes to Condensed Financial Statements.

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**CONDENSED STATEMENTS OF CASH FLOWS**
*(Dollars in millions)*

	Nine months ended September 30,	
	2023	2022
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 716	\$ 681
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	810	730
Deferred income taxes and investment tax credits	(56)	91
Bad debt expense	94	46
Other	(30)	(23)
Net change in working capital components	269	57
Changes in noncurrent assets and liabilities, net	(319)	(214)
Net cash provided by operating activities	<u>1,484</u>	<u>1,368</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(1,893)	(1,651)
Purchases of nuclear decommissioning trust assets	(391)	(530)
Proceeds from sales of nuclear decommissioning trust assets	437	530
Other	9	8
Net cash used in investing activities	<u>(1,838)</u>	<u>(1,643)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common dividends paid	(100)	(100)
Issuances of debt (maturities greater than 90 days)	1,389	1,395
Payments on debt (maturities greater than 90 days) and finance leases	(479)	(416)
Decrease in short-term debt, net	(205)	(401)
Debt issuance costs	(12)	(9)
Net cash provided by financing activities	<u>593</u>	<u>469</u>
Increase in cash and cash equivalents	239	194
Cash and cash equivalents, January 1	7	25
Cash and cash equivalents, September 30	<u>\$ 246</u>	<u>\$ 219</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest payments, net of amounts capitalized	\$ 315	\$ 303
Income tax payments, net of refunds	—	68
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued capital expenditures	\$ 237	\$ 236
Increase in finance lease obligations for investment in PP&E	7	12
Increase in ARO for investment in PP&E	13	1

*See Notes to Condensed Financial Statements.*

**SAN DIEGO GAS & ELECTRIC COMPANY**  
**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
*(Dollars in millions)*

	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity
	(unaudited)			
	Three months ended September 30, 2023			
Balance at June 30, 2023	\$ 1,660	\$ 7,856	\$ (7)	\$ 9,509
<b>Net income</b>		274		274
Common stock dividends declared (\$0.86/share)		(100)		(100)
Balance at September 30, 2023	\$ 1,660	\$ 8,030	\$ (7)	\$ 9,683
	Three months ended September 30, 2022			
Balance at June 30, 2022	\$ 1,660	\$ 7,009	\$ (10)	\$ 8,659
<b>Net income</b>		271		271
<b>Other comprehensive income</b>			1	1
Common stock dividends declared (\$0.86/share)		(100)		(100)
Balance at September 30, 2022	\$ 1,660	\$ 7,180	\$ (9)	\$ 8,831
	Nine months ended September 30, 2023			
Balance at December 31, 2022	\$ 1,660	\$ 7,414	\$ (7)	\$ 9,067
<b>Net income</b>		716		716
Common stock dividends declared (\$0.86/share)		(100)		(100)
Balance at September 30, 2023	\$ 1,660	\$ 8,030	\$ (7)	\$ 9,683
	Nine months ended September 30, 2022			
Balance at December 31, 2021	\$ 1,660	\$ 6,599	\$ (10)	\$ 8,249
<b>Net income</b>		681		681
<b>Other comprehensive income</b>			1	1
Common stock dividends declared (\$0.86/share)		(100)		(100)
Balance at September 30, 2022	\$ 1,660	\$ 7,180	\$ (9)	\$ 8,831

See Notes to Condensed Financial Statements.

**SOUTHERN CALIFORNIA GAS COMPANY**  
**CONDENSED STATEMENTS OF OPERATIONS**
*(Dollars in millions)*

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(unaudited)			
Operating revenues	\$ 1,313	\$ 1,385	\$ 6,574	\$ 4,879
Operating expenses:				
Cost of natural gas	224	441	2,855	1,577
Operation and maintenance	733	590	2,073	1,746
Aliso Canyon litigation and regulatory matters	—	122	—	259
Depreciation and amortization	211	190	625	565
Franchise fees and other taxes	64	62	209	181
Total operating expenses	1,232	1,405	5,762	4,328
Operating income (loss)	81	(20)	812	551
Other expense, net	(2)	(43)	(9)	(5)
Interest income	2	3	7	4
Interest expense	(70)	(50)	(210)	(135)
Income (loss) before income taxes	11	(110)	600	415
Income tax benefit (expense)	5	28	(68)	(75)
Net income (loss)	16	(82)	532	340
Preferred dividends	—	—	(1)	(1)
Earnings (losses) attributable to common shares	\$ 16	\$ (82)	\$ 531	\$ 339

*See Notes to Condensed Financial Statements.*

**SOUTHERN CALIFORNIA GAS COMPANY**  
**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
*(Dollars in millions)*

	Pretax amount	Income tax benefit (expense)	Net-of-tax amount
	(unaudited)		
	Three months ended September 30, 2023 and 2022		
<b>2023:</b>			
Net income	\$ 11	\$ 5	\$ 16
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	(1)	—
Total other comprehensive income	1	(1)	—
Comprehensive income	\$ 12	\$ 4	\$ 16
<b>2022:</b>			
Net loss	\$ (110)	\$ 28	\$ (82)
Other comprehensive income (loss):			
Pension and other postretirement benefits	1	—	1
Total other comprehensive income	1	—	1
Comprehensive loss	\$ (109)	\$ 28	\$ (81)
Nine months ended September 30, 2023 and 2022			
<b>2023:</b>			
Net income	\$ 600	\$ (68)	\$ 532
Other comprehensive income (loss):			
Financial instruments	1	—	1
Pension and other postretirement benefits	2	(1)	1
Total other comprehensive income	3	(1)	2
Comprehensive income	\$ 603	\$ (69)	\$ 534
<b>2022:</b>			
Net income	\$ 415	\$ (75)	\$ 340
Other comprehensive income (loss):			
Financial instruments	1	—	1
Pension and other postretirement benefits	2	—	2
Total other comprehensive income	3	—	3
Comprehensive income	\$ 418	\$ (75)	\$ 343

*See Notes to Condensed Financial Statements.*



**SOUTHERN CALIFORNIA GAS COMPANY**  
**CONDENSED BALANCE SHEETS**
*(Dollars in millions)*

	September 30, 2023	December 31, 2022 <sup>(1)</sup>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 26	\$ 21
Accounts receivable – trade, net	665	1,295
Accounts receivable – other, net	71	293
Due from unconsolidated affiliates	1	77
Inventories	260	159
Regulatory assets	172	104
Greenhouse gas allowances	114	111
Other current assets	82	69
Total current assets	1,391	2,129
<b>Other assets:</b>		
Regulatory assets	1,505	1,291
Greenhouse gas allowances	850	551
Right-of-use assets – operating leases	32	42
Other long-term assets	606	583
Total other assets	2,993	2,467
<b>Property, plant and equipment:</b>		
Property, plant and equipment	26,401	25,058
Less accumulated depreciation and amortization	(7,716)	(7,308)
Property, plant and equipment, net	18,685	17,750
<b>Total assets</b>	<b>\$ 23,069</b>	<b>\$ 22,346</b>

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Financial Statements.

**SOUTHERN CALIFORNIA GAS COMPANY**  
**CONDENSED BALANCE SHEETS (CONTINUED)**
*(Dollars in millions)*

	September 30, 2023	December 31, 2022 <sup>(1)</sup>
	(unaudited)	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 420	\$ 900
Accounts payable – trade	570	953
Accounts payable – other	177	176
Due to unconsolidated affiliates	38	36
Accrued compensation and benefits	217	209
Regulatory liabilities	229	394
Current portion of long-term debt and finance leases	523	318
Reserve for Aliso Canyon costs	126	129
Greenhouse gas obligations	114	111
Asset retirement obligations	66	68
Other current liabilities	505	429
<b>Total current liabilities</b>	<b>2,985</b>	<b>3,723</b>
Long-term debt and finance leases	6,291	5,780
<b>Deferred credits and other liabilities:</b>		
Regulatory liabilities	1,051	1,043
Greenhouse gas obligations	748	443
Pension obligation, net of plan assets	198	277
Deferred income taxes	1,469	1,306
Asset retirement obligations	2,726	2,675
Deferred credits and other	370	401
<b>Total deferred credits and other liabilities</b>	<b>6,562</b>	<b>6,145</b>
<b>Commitments and contingencies (Note 10)</b>		
<b>Shareholders' equity:</b>		
Preferred stock (11,000,000 shares authorized; 862,043 shares outstanding)	22	22
Common stock (100,000,000 shares authorized; 91,300,000 shares outstanding; no par value)	2,316	2,316
Retained earnings	4,915	4,384
Accumulated other comprehensive income (loss)	(22)	(24)
<b>Total shareholders' equity</b>	<b>7,231</b>	<b>6,698</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 23,069</b>	<b>\$ 22,346</b>

<sup>(1)</sup> Derived from audited financial statements.

See Notes to Condensed Financial Statements.

**SOUTHERN CALIFORNIA GAS COMPANY**  
**CONDENSED STATEMENTS OF CASH FLOWS**
*(Dollars in millions)*

	Nine months ended September 30,	
	2023	2022
	(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 532	\$ 340
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	625	565
Deferred income taxes and investment tax credits	79	77
Bad debt expense	272	60
Other	(9)	(9)
Reserve for Aliso Canyon costs	(3)	(1,835)
Net change in other working capital components	2	98
Insurance receivable for Aliso Canyon costs	—	350
Changes in other noncurrent assets and liabilities, net	(234)	(408)
Net cash provided by (used in) operating activities	1,264	(762)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property, plant and equipment	(1,451)	(1,394)
Net cash used in investing activities	(1,451)	(1,394)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Preferred dividends paid	(1)	(1)
Equity contribution from Sempra	—	650
Issuances of debt (maturities greater than 90 days)	997	1,497
Payments on debt (maturities greater than 90 days) and finance leases	(1,115)	(10)
Increase in short-term debt, net	320	42
Debt issuance costs	(9)	(6)
Net cash provided by financing activities	192	2,172
Increase in cash and cash equivalents	5	16
Cash and cash equivalents, January 1	21	37
Cash and cash equivalents, September 30	\$ 26	\$ 53
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest payments, net of amounts capitalized	\$ 183	\$ 123
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued capital expenditures	\$ 253	\$ 235
Increase in finance lease obligations for investment in PP&E	40	21
(Decrease) increase in ARO for investment in PP&E	(28)	48

*See Notes to Condensed Financial Statements.*

**SOUTHERN CALIFORNIA GAS COMPANY**  
**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
*(Dollars in millions)*

	Preferred stock	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
	(unaudited)				
	Three months ended September 30, 2023				
Balance at June 30, 2023	\$ 22	\$ 2,316	\$ 4,899	\$ (22)	\$ 7,215
<b>Net income</b>			16		16
Dividends declared:					
Preferred stock (\$0.38/share)			—		—
Balance at September 30, 2023	\$ 22	\$ 2,316	\$ 4,915	\$ (22)	\$ 7,231
	Three months ended September 30, 2022				
Balance at June 30, 2022	\$ 22	\$ 1,816	\$ 4,206	\$ (29)	\$ 6,015
<b>Net loss</b>			(82)		(82)
<b>Other comprehensive income</b>				1	1
Dividends declared:					
Preferred stock (\$0.38/share)			—		—
Equity contribution from Sempra		500			500
Balance at September 30, 2022	\$ 22	\$ 2,316	\$ 4,124	\$ (28)	\$ 6,434
	Nine months ended September 30, 2023				
Balance at December 31, 2022	\$ 22	\$ 2,316	\$ 4,384	\$ (24)	\$ 6,698
<b>Net income</b>			532		532
<b>Other comprehensive income</b>				2	2
Dividends declared:					
Preferred stock (\$1.13/share)			(1)		(1)
Balance at September 30, 2023	\$ 22	\$ 2,316	\$ 4,915	\$ (22)	\$ 7,231
	Nine months ended September 30, 2022				
Balance at December 31, 2021	\$ 22	\$ 1,666	\$ 3,785	\$ (31)	\$ 5,442
<b>Net income</b>			340		340
<b>Other comprehensive income</b>				3	3
Dividends declared:					
Preferred stock (\$1.13/share)			(1)		(1)
Equity contribution from Sempra		650			650
Balance at September 30, 2022	\$ 22	\$ 2,316	\$ 4,124	\$ (28)	\$ 6,434

*See Notes to Condensed Financial Statements.*

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 1. GENERAL INFORMATION AND OTHER FINANCIAL DATA

#### PRINCIPLES OF CONSOLIDATION

##### ***Sempra***

Effective May 12, 2023, our company changed its legal name from Sempra Energy to Sempra. Sempra's Condensed Consolidated Financial Statements include the accounts of Sempra, a California-based holding company, and its consolidated entities. We have four separate reportable segments, which we discuss in Note 11. All references in these Notes to our reportable segments are not intended to refer to any legal entity with the same or similar name.

##### ***SDG&E***

SDG&E's common stock is wholly owned by Enova Corporation, which is a wholly owned subsidiary of Sempra.

##### ***SoCalGas***

SoCalGas' common stock is wholly owned by Pacific Enterprises, which is a wholly owned subsidiary of Sempra.

#### BASIS OF PRESENTATION

This is a combined report of Sempra, SDG&E and SoCalGas. We provide separate information for SDG&E and SoCalGas as required. We have eliminated intercompany accounts and transactions within Sempra's consolidated financial statements.

We have prepared our Condensed Consolidated Financial Statements in conformity with U.S. GAAP and in accordance with the interim period reporting requirements of Form 10-Q and applicable rules of the SEC. The financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim periods. These adjustments are only of a normal, recurring nature. Results of operations for interim periods are not necessarily indicative of results for the entire year or for any other period. We evaluated events and transactions that occurred after September 30, 2023 through the date the financial statements were issued and, in the opinion of management, the accompanying statements reflect all adjustments necessary for a fair presentation.

All December 31, 2022 balance sheet information in the Condensed Consolidated Financial Statements has been derived from our audited 2022 Consolidated Financial Statements in the Annual Report. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the interim period reporting provisions of U.S. GAAP and the SEC.

We describe our significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report and the impact of the adoption of new accounting standards on those policies in Note 2 below. We follow the same accounting policies for interim period reporting purposes.

The information contained in this report should be read in conjunction with the Annual Report.

##### ***Regulated Operations***

SDG&E, SoCalGas and Sempra Infrastructure's natural gas distribution utility, Ecogas, prepare their financial statements in accordance with the provisions of U.S. GAAP governing rate-regulated operations. We discuss revenue recognition and the effects of regulation at our utilities in Notes 3 and 4 below and in Notes 1, 3 and 4 of the Notes to Consolidated Financial Statements in the Annual Report.

Our Sempra Texas Utilities segment is comprised of our equity method investments in holding companies that own interests in regulated electric transmission and distribution utilities in Texas.

Certain business activities at Sempra Infrastructure are regulated by the CRE and the FERC and meet the regulatory accounting requirements of U.S. GAAP. Pipeline projects currently under construction that meet the regulatory accounting requirements of U.S. GAAP record the impact of AFUDC related to equity. We discuss AFUDC below and in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

Cash equivalents are highly liquid investments with original maturities of three months or less at the date of purchase.

Restricted cash includes:

- for Sempra Infrastructure, funds held as collateral in lieu of a customer's letters of credit associated with its LNG storage and regasification agreement; funds denominated in U.S. dollars and Mexican pesos to pay for rights-of-way and other costs pursuant to trust agreements related to pipeline projects; and certain funds at Port Arthur LNG for which withdrawals and usage are dictated by its debt agreements
- for Parent and other, funds held in a delisting trust for the purpose of purchasing the remaining publicly owned IEnova shares

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on Sempra's Condensed Consolidated Balance Sheets to the sum of such amounts reported on Sempra's Condensed Consolidated Statements of Cash Flows.

<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
<i>(Dollars in millions)</i>		
	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 1,149	\$ 370
Restricted cash, current	238	40
Restricted cash, noncurrent	104	52
Total cash, cash equivalents and restricted cash on the Condensed Consolidated Statements of Cash Flows	\$ 1,491	\$ 462

**CREDIT LOSSES**

We are exposed to credit losses from financial assets measured at amortized cost, including trade and other accounts receivable, amounts due from unconsolidated affiliates, our net investment in sales-type leases and a note receivable. We are also exposed to credit losses from off-balance sheet arrangements through Sempra's guarantee related to Cameron LNG JV's SDSRA, which we discuss in Note 5.

We regularly monitor and evaluate credit losses and record allowances for expected credit losses, if necessary, for trade and other accounts receivable using a combination of factors, including past-due status based on contractual terms, trends in write-offs, the age of the receivables and customer payment patterns, historical and industry trends, counterparty creditworthiness, economic conditions and specific events, such as bankruptcies, pandemics and other factors. We write off financial assets measured at amortized cost in the period in which we determine they are not recoverable. We record recoveries of amounts previously written off when it is known that they will be recovered.

In the first quarter of 2022, SDG&E and SoCalGas received \$63 million and \$79 million, respectively, on behalf of their customers from the California Department of Community Services and Development under the 2021 California Arrearage Payment Program and applied the amounts directly to eligible customer accounts to reduce past due balances. In June 2022, AB 205 was approved establishing, among other things, the 2022 California Arrearage Payment Program. In December 2022, SDG&E and SoCalGas received funding of \$51 million and \$59 million, respectively, related to this program and, in January 2023, applied the amounts directly to eligible customer accounts to reduce past due balances.

As a result of the impact and duration of suspending collections processes during the COVID-19 pandemic, the implementation of programs such as the Arrearage Management Plan, and higher winter season customer billings, certain SDG&E and SoCalGas customers exhibit slower payment and higher levels of nonpayment than has been the case historically. This in turn has resulted in an increase in provisions for expected credit losses in the nine months ended September 30, 2023 for both companies, even as collections processes resume and past due payments potentially begin increasing. SDG&E and SoCalGas have regulatory mechanisms to recover credit losses and thus record changes in the allowances for credit losses related to Accounts Receivable – Trade that are probable of recovery in regulatory accounts. We discuss regulatory accounts in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report and herein.

Changes in allowances for credit losses for trade receivables and other receivables are as follows:

<b>CHANGES IN ALLOWANCES FOR CREDIT LOSSES</b>		
<i>(Dollars in millions)</i>		
	2023	2022
<b>Sempra:</b>		
Allowances for credit losses at January 1	\$ 181	\$ 136
Provisions for expected credit losses	374	111
Write-offs	(74)	(57)
Allowances for credit losses at September 30	\$ 481	\$ 190
<b>SDG&amp;E:</b>		
Allowances for credit losses at January 1	\$ 78	\$ 66
Provisions for expected credit losses	96	51
Write-offs	(34)	(30)
Allowances for credit losses at September 30	\$ 140	\$ 87
<b>SoCalGas:</b>		
Allowances for credit losses at January 1	\$ 98	\$ 69
Provisions for expected credit losses	276	58
Write-offs	(40)	(27)
Allowances for credit losses at September 30	\$ 334	\$ 100

Allowances for credit losses related to trade receivables and other receivables are included in the Condensed Consolidated Balance Sheets as follows:

<b>ALLOWANCES FOR CREDIT LOSSES</b>		
<i>(Dollars in millions)</i>		
	September 30, 2023	December 31, 2022
<b>Sempra:</b>		
Accounts receivable – trade, net	\$ 432	\$ 140
Accounts receivable – other, net	48	40
Other long-term assets	1	1
Total allowances for credit losses	\$ 481	\$ 181
<b>SDG&amp;E:</b>		
Accounts receivable – trade, net	\$ 113	\$ 52
Accounts receivable – other, net	26	25
Other long-term assets	1	1
Total allowances for credit losses	\$ 140	\$ 78
<b>SoCalGas:</b>		
Accounts receivable – trade, net	\$ 312	\$ 83
Accounts receivable – other, net	22	15
Total allowances for credit losses	\$ 334	\$ 98

As we discuss below in “Note Receivable,” we have an interest-bearing promissory note due from KKR Pinnacle. On a quarterly basis, we evaluate credit losses and record allowances for expected credit losses on this note receivable, including compounded interest and unamortized transaction costs, based on published default rate studies, the maturity date of the instrument and an internally developed credit rating. At September 30, 2023 and December 31, 2022, \$6 million and \$7 million, respectively, of expected credit losses are included in Other Long-Term Assets on Sempra’s Condensed Consolidated Balance Sheets.

As we discuss in Note 5, Sempra provided a guarantee for the benefit of Cameron LNG JV related to amounts withdrawn by Sempra Infrastructure from the SDSRA. On a quarterly basis, we evaluate credit losses and record liabilities for expected credit losses on this off-balance sheet arrangement based on external credit ratings, published default rate studies and the maturity date of the arrangement. At both September 30, 2023 and December 31, 2022, \$6 million of expected credit losses are included in Deferred Credits and Other on Sempra's Condensed Consolidated Balance Sheets.

## INVENTORIES

The components of inventories are as follows:

<b>INVENTORY BALANCES</b>						
<i>(Dollars in millions)</i>						
	Sempra		SDG&E		SoCalGas	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Natural gas	\$ 160	\$ 106	\$ 1	\$ 1	\$ 144	\$ 74
LNG	9	62	—	—	—	—
Materials and supplies	282	235	146	133	116	85
<b>Total</b>	<b>\$ 451</b>	<b>\$ 403</b>	<b>\$ 147</b>	<b>\$ 134</b>	<b>\$ 260</b>	<b>\$ 159</b>

## NOTE RECEIVABLE

In November 2021, Sempra loaned \$300 million to KKR Pinnacle in exchange for an interest-bearing promissory note that is due in full no later than October 2029 and bears compound interest at 5% per annum, which may be paid quarterly or added to the outstanding principal at the election of KKR Pinnacle. At September 30, 2023 and December 31, 2022, Other Long-Term Assets includes \$328 million and \$316 million, respectively, of outstanding principal, compounded interest and unamortized transaction costs, net of allowance for credit losses, on Sempra's Condensed Consolidated Balance Sheets.

## WILDFIRE FUND

In July 2019, the Wildfire Legislation was signed into law to address certain issues related to catastrophic wildfires in the State of California and their impact on electric IOUs. We discuss the Wildfire Legislation further in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

In October 2023, the OEIS approved SDG&E's 2023 Wildfire Mitigation Plan, which is effective until the OEIS approves a new plan.

SDG&E submitted its request to the OEIS for its annual wildfire safety certification in September 2023. OEIS has until December 2023 to issue the certification or provide written notice explaining why additional time is needed. SDG&E's existing certification remains valid until this pending request is resolved.

## CAPITALIZED FINANCING COSTS

Capitalized financing costs include capitalized interest costs and AFUDC related to both debt and equity financing of construction projects. We capitalize interest costs incurred to finance capital projects and interest at equity method investments that have not commenced planned principal operations.

The table below summarizes capitalized financing costs, comprised of AFUDC and capitalized interest.

<b>CAPITALIZED FINANCING COSTS</b>						
<i>(Dollars in millions)</i>						
	Three months ended September 30,		Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022	2023	2022
Sempra	\$ 128	\$ 65	\$ 311	\$ 182		
SDG&E	28	30	90	84		
SoCalGas	20	19	55	54		



## PROPERTY, PLANT AND EQUIPMENT

Sempra Infrastructure's Sonora natural gas pipeline consists of two segments, the Sasabe-Puerto Libertad-Guaymas segment and the Guaymas-El Oro segment. Each segment has its own service agreement with the CFE. Following the start of commercial operations of the Guaymas-El Oro segment, Sempra Infrastructure reported damage to the pipeline in the Yaqui territory that has made that section inoperable since August 2017. Discussions with the CFE regarding the future of the pipeline are ongoing and the parties are working on restarting service on the pipeline, including the potential re-routing of a portion of the pipeline. If the parties do not agree on a definitive arrangement to re-route a portion of the pipeline or the parties do not agree on a new service start date, Sempra Infrastructure retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits. At September 30, 2023, Sempra Infrastructure had \$411 million in PP&E, net, related to the Guaymas-El Oro segment of the Sonora pipeline.

## VARIABLE INTEREST ENTITIES

We consolidate a VIE if we are the primary beneficiary of the VIE. Our determination of whether we are the primary beneficiary is based on qualitative and quantitative analyses, which assess:

- the purpose and design of the VIE;
- the nature of the VIE's risks and the risks we absorb;
- the power to direct activities that most significantly impact the economic performance of the VIE; and
- the obligation to absorb losses or the right to receive benefits that could be significant to the VIE.

We will continue to evaluate our VIEs for any changes that may impact our determination of whether an entity is a VIE and if we are the primary beneficiary.

## **SDG&E**

SDG&E's power procurement is subject to reliability requirements that may require SDG&E to enter into various PPAs that include variable interests. SDG&E evaluates the respective entities to determine if variable interests exist and, based on the qualitative and quantitative analyses described above, SDG&E, and indirectly Sempra, is the primary beneficiary.

SDG&E has agreements under which it purchases power generated by facilities for which it supplies all of the natural gas to fuel the power plant (i.e., tolling agreements). SDG&E's obligation to absorb natural gas costs may be a significant variable interest. In addition, SDG&E has the power to direct the dispatch of electricity generated by these facilities. Based on our analysis, the ability to direct the dispatch of electricity may have the most significant impact on the economic performance of the entity owning the generating facility because of the associated exposure to the cost of natural gas, which fuels the plants, and the value of electricity produced. To the extent that SDG&E (1) is obligated to purchase and provide fuel to operate the facility, (2) has the power to direct the dispatch, and (3) purchases all of the output from the facility for a substantial portion of the facility's useful life, SDG&E may be the primary beneficiary of the entity owning the generating facility. SDG&E determines if it is the primary beneficiary in these cases based on a qualitative approach in which it considers the operational characteristics of the facility, including its expected power generation output relative to its capacity to generate and the financial structure of the entity, among other factors. If SDG&E determines that it is the primary beneficiary, SDG&E and Sempra consolidate the entity that owns the facility as a VIE.

In addition to tolling agreements, other variable interests involve various elements of fuel and power costs, and other components of cash flows expected to be paid to or received by our counterparties. In most of these cases, the expectation of variability is not substantial, and SDG&E generally does not have the power to direct activities, including the operation and maintenance activities of the generating facility, that most significantly impact the economic performance of the other VIEs. If our ongoing evaluation of these VIEs were to conclude that SDG&E becomes the primary beneficiary and consolidation by SDG&E becomes necessary, the effects could be significant to the financial position and liquidity of SDG&E and Sempra.

SDG&E determined that none of its PPAs and tolling agreements resulted in SDG&E being the primary beneficiary of a VIE at September 30, 2023 and December 31, 2022. PPAs and tolling agreements that relate to SDG&E's involvement with VIEs are primarily accounted for as finance leases. The carrying amounts of the assets and liabilities under these contracts are included in PP&E, net, and finance lease liabilities with balances of \$1,174 million and \$1,194 million at September 30, 2023 and December 31, 2022, respectively. SDG&E recovers costs incurred on PPAs, tolling agreements and other variable interests through CPUC-approved long-term power procurement plans. SDG&E has no residual interest in the respective entities and has not provided or guaranteed any debt or equity support, liquidity arrangements, performance guarantees or other commitments associated with these contracts other than the purchase commitments described in Note 16 of the Notes to Consolidated Financial Statements in the Annual Report. As a result, SDG&E's potential exposure to loss from its variable interest in these VIEs is not significant.

### ***Sempra Texas Utilities***

Oncor Holdings is a VIE. Sempra is not the primary beneficiary of this VIE because of the structural and operational ring-fencing and governance measures in place that prevent us from having the power to direct the significant activities of Oncor Holdings. As a result, we do not consolidate Oncor Holdings and instead account for our ownership interest as an equity method investment. See Note 6 of the Notes to Consolidated Financial Statements in the Annual Report for additional information about our equity method investment in Oncor Holdings and restrictions on our ability to influence its activities. Our maximum exposure to loss, which fluctuates over time, from our interest in Oncor Holdings does not exceed the carrying value of our investment, which was \$14,148 million and \$13,665 million at September 30, 2023 and December 31, 2022, respectively.

### ***Sempra Infrastructure***

#### ***Cameron LNG JV***

Cameron LNG JV is a VIE principally due to contractual provisions that transfer certain risks to customers. Sempra is not the primary beneficiary of this VIE because we do not have the power to direct the most significant activities of Cameron LNG JV, including LNG production and operation and maintenance activities at the liquefaction facility. Therefore, we account for our investment in Cameron LNG JV under the equity method. The carrying value of our investment, including amounts recognized in AOCI related to interest-rate cash flow hedges at Cameron LNG JV, was \$989 million at September 30, 2023 and \$886 million at December 31, 2022. Our maximum exposure to loss, which fluctuates over time, includes the carrying value of our investment and our obligation under the SDSRA, which we discuss in Note 5.

#### ***CFIN***

As we discuss in Note 5, in July 2020, Sempra entered into a Support Agreement for the benefit of CFIN, which is a VIE. Sempra is not the primary beneficiary of this VIE because we do not have the power to direct the most significant activities of CFIN, including modification, prepayment, and refinance decisions related to the financing arrangement with external lenders and Cameron LNG JV's four project owners as well as the ability to determine and enforce remedies in the event of default. The conditional obligations of the Support Agreement represent a variable interest that we measure at fair value on a recurring basis (see Note 8). Sempra's maximum exposure to loss under the terms of the Support Agreement is \$979 million.

#### ***ECA LNG Phase 1***

ECA LNG Phase 1 is a VIE because its total equity at risk is not sufficient to finance its activities without additional subordinated financial support. We expect that ECA LNG Phase 1 will require future capital contributions or other financial support to finance the construction of the facility. Sempra is the primary beneficiary of this VIE because we have the power to direct the activities related to the construction and future operation and maintenance of the liquefaction facility. As a result, we consolidate ECA LNG Phase 1. Sempra consolidated \$1,430 million and \$1,099 million of assets at September 30, 2023 and December 31, 2022, respectively, consisting primarily of PP&E, net, attributable to ECA LNG Phase 1 that could be used only to settle obligations of this VIE and that are not available to settle obligations of Sempra, and \$924 million and \$685 million of liabilities at September 30, 2023 and December 31, 2022, respectively, consisting primarily of long-term debt, accounts payable and short-term debt attributable to ECA LNG Phase 1 for which creditors do not have recourse to the general credit of Sempra. Additionally, as we discuss in Note 6, IEnova and TotalEnergies SE have provided guarantees for 83.4% and 16.6%, respectively, of the loan facility supporting construction of the liquefaction facility.

*Port Arthur LNG*

Port Arthur LNG is a VIE because its total equity at risk is not sufficient to finance its activities without additional subordinated financial support. We expect that Port Arthur LNG will require future capital contributions or other financial support to finance the construction of the PA LNG Phase 1 project. Sempra is the primary beneficiary of this VIE because we have the power to direct the activities related to the construction and future operation and maintenance of the liquefaction facility. As a result, we consolidate Port Arthur LNG. Sempra consolidated \$3,830 million of assets at September 30, 2023 consisting primarily of PP&E, net, other long-term assets and restricted cash attributable to Port Arthur LNG that could be used only to settle obligations of this VIE and that are not available to settle obligations of Sempra, and \$788 million of liabilities at September 30, 2023 consisting primarily of accounts payable and long-term debt attributable to Port Arthur LNG for which creditors do not have recourse to the general credit of Sempra.

**PENSION AND PBOP**
**Net Periodic Benefit Cost**

The following tables provide the components of net periodic benefit cost. The components of net periodic benefit cost, other than the service cost component, are included in the Other Income (Expense), Net, table below.

**NET PERIODIC BENEFIT COST – SEMPRA**
*(Dollars in millions)*

	Pension				PBOP			
	Three months ended September 30,							
	2023		2022		2023		2022	
Service cost	\$	25	\$	27	\$	3	\$	4
Interest cost		39		29		9		7
Expected return on assets		(42)		(46)		(17)		(16)
Amortization of:								
Prior service cost (credit)		2		3		(1)		(1)
Actuarial loss (gain)		3		8		(5)		(4)
Net periodic benefit cost (credit)		27		21		(11)		(10)
Regulatory adjustments		30		87		10		10
Total expense (income) recognized	\$	57	\$	108	\$	(1)	\$	—

	Pension				PBOP			
	Nine months ended September 30,							
	2023		2022		2023		2022	
Service cost	\$	82	\$	110	\$	10	\$	17
Interest cost		118		88		28		21
Expected return on assets		(127)		(137)		(52)		(48)
Amortization of:								
Prior service cost (credit)		4		8		(2)		(2)
Actuarial loss (gain)		7		19		(17)		(11)
Net periodic benefit cost (credit)		84		88		(33)		(23)
Regulatory adjustments		88		84		32		23
Total expense (income) recognized	\$	172	\$	172	\$	(1)	\$	—

**NET PERIODIC BENEFIT COST – SDG&E**
*(Dollars in millions)*

	Pension				PBOP			
	Three months ended September 30,							
	2023		2022		2023		2022	
Service cost	\$	8	\$	8	\$	1	\$	1
Interest cost		10		7		2		1
Expected return on assets		(9)		(13)		(2)		(2)
Amortization of:								
Actuarial loss (gain)		2		—		—		(1)
Net periodic benefit cost (credit)		11		2		1		(1)
Regulatory adjustments		3		24		(1)		1
Total expense recognized	\$	14	\$	26	\$	—	\$	—

	Pension				PBOP			
	Nine months ended September 30,							
	2023		2022		2023		2022	
Service cost	\$	24	\$	28	\$	2	\$	4
Interest cost		30		20		6		4
Expected return on assets		(29)		(35)		(6)		(7)
Amortization of:								
Actuarial loss (gain)		4		1		(1)		(2)
Net periodic benefit cost (credit)		29		14		1		(1)
Regulatory adjustments		11		26		(1)		1
Total expense recognized	\$	40	\$	40	\$	—	\$	—

**NET PERIODIC BENEFIT COST – SOCIALGAS**
*(Dollars in millions)*

	Pension				PBOP			
	Three months ended September 30,							
	2023		2022		2023		2022	
Service cost	\$	15	\$	16	\$	2	\$	3
Interest cost		24		20		7		5
Expected return on assets		(29)		(30)		(14)		(13)
Amortization of:								
Prior service cost (credit)		1		2		(1)		(1)
Actuarial loss (gain)		1		6		(5)		(3)
Net periodic benefit cost (credit)		12		14		(11)		(9)
Regulatory adjustments		27		63		11		9
Total expense recognized	\$	39	\$	77	\$	—	\$	—

	Nine months ended September 30,							
	2023		2022		2023		2022	
	Service cost	\$	49	\$	72	\$	7	\$
Interest cost		75		61		21		16
Expected return on assets		(89)		(94)		(44)		(40)
Amortization of:								
Prior service cost (credit)		3		6		(2)		(2)
Actuarial loss (gain)		1		14		(15)		(9)
Net periodic benefit cost (credit)		39		59		(33)		(22)
Regulatory adjustments		77		58		33		22
Total expense recognized	\$	116	\$	117	\$	—	\$	—

**DEDICATED ASSETS IN SUPPORT OF CERTAIN BENEFITS PLANS**

In support of its Supplemental Executive Retirement, Cash Balance Restoration and Deferred Compensation Plans, Sempra maintains dedicated assets, including a Rabbi Trust and investments in life insurance contracts, which totaled \$513 million and \$505 million at September 30, 2023 and December 31, 2022, respectively.

**COMPREHENSIVE INCOME**

The following tables present the changes in AOCI by component and amounts reclassified out of AOCI to net income, after amounts attributable to NCI.

**CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT<sup>(1)</sup>**

(Dollars in millions)

	Foreign currency translation adjustments	Financial instruments	Pension and PBOP	Total AOCI
Three months ended September 30, 2023 and 2022				
<b>Sempra:</b>				
Balance at June 30, 2023	\$ (38)	\$ 14	\$ (97)	\$ (121)
OCI before reclassifications	(5)	116	—	111
Amounts reclassified from AOCI <sup>(2)</sup>	—	(51)	1	(50)
Net OCI <sup>(2)</sup>	(5)	65	1	61
Balance at September 30, 2023	\$ (43)	\$ 79	\$ (96)	\$ (60)
<b>SDG&amp;E:</b>				
Balance at June 30, 2022	\$ (65)	\$ (30)	\$ (72)	\$ (167)
OCI before reclassifications	—	40	—	40
Amounts reclassified from AOCI	—	5	2	7
Net OCI	—	45	2	47
Balance at September 30, 2022	\$ (65)	\$ 15	\$ (70)	\$ (120)
<b>SoCalGas:</b>				
Balance at June 30, 2023 and September 30, 2023			\$ (7)	\$ (7)
Balance at June 30, 2022			\$ (10)	\$ (10)
Amounts reclassified from AOCI			1	1
Net OCI			1	1
Balance at September 30, 2022			\$ (9)	\$ (9)
<b>SoCalGas:</b>				
Balance at June 30, 2023 and September 30, 2023		\$ (11)	\$ (11)	\$ (22)
Balance at June 30, 2022		\$ (12)	\$ (17)	\$ (29)
Amounts reclassified from AOCI		—	1	1
Net OCI		—	1	1
Balance at September 30, 2022		\$ (12)	\$ (16)	\$ (28)

<sup>(1)</sup> All amounts are net of income tax, if subject to tax, and after NCI.

<sup>(2)</sup> Total AOCI includes (\$46) of financial instruments associated with sale of NCI to KKR Denali, which we discuss below in "Other Noncontrolling Interests – Sempra Infrastructure." This transaction did not impact the Condensed Consolidated Statement of Comprehensive Income (Loss).

**CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT<sup>(1)</sup> (CONTINUED)**
*(Dollars in millions)*

	Foreign currency translation adjustments	Financial instruments	Pension and PBOP	Total AOCI
Nine months ended September 30, 2023 and 2022				
<b>Sempra:</b>				
Balance at December 31, 2022	\$ (59)	\$ 10	\$ (86)	\$ (135)
OCI before reclassifications	16	129	(13)	132
Amounts reclassified from AOCI <sup>(2)</sup>	—	(60)	3	(57)
Net OCI <sup>(2)</sup>	16	69	(10)	75
Balance at September 30, 2023	\$ (43)	\$ 79	\$ (96)	\$ (60)
<b>SDG&amp;E:</b>				
Balance at December 31, 2022 and September 30, 2023			\$ (7)	\$ (7)
Balance at December 31, 2021			\$ (10)	\$ (10)
Amounts reclassified from AOCI			1	1
Net OCI			1	1
Balance at September 30, 2022			\$ (9)	\$ (9)
<b>SoCalGas:</b>				
Balance at December 31, 2022		\$ (12)	\$ (12)	\$ (24)
Amounts reclassified from AOCI		1	1	2
Net OCI		1	1	2
Balance at September 30, 2023		\$ (11)	\$ (11)	\$ (22)
Balance at December 31, 2021		\$ (13)	\$ (18)	\$ (31)
Amounts reclassified from AOCI		1	2	3
Net OCI		1	2	3
Balance at September 30, 2022		\$ (12)	\$ (16)	\$ (28)

<sup>(1)</sup> All amounts are net of income tax, if subject to tax, and after NCI.

<sup>(2)</sup> Total AOCI includes (\$46) of financial instruments associated with sale of NCI to KKR Denali, which we discuss below in "Other Noncontrolling Interests – Sempra Infrastructure." This transaction did not impact the Condensed Consolidated Statement of Comprehensive Income (Loss).

<sup>(3)</sup> Total AOCI includes \$9 of foreign currency translation adjustments associated with sale of NCI to ADIA, which we discuss below in "Other Noncontrolling Interests – Sempra Infrastructure." This transaction did not impact the Condensed Consolidated Statement of Comprehensive Income (Loss).

**RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**
*(Dollars in millions)*

Details about AOCI	Amounts reclassified from AOCI		Affected line item on Condensed Consolidated Statements of Operations
	Three months ended September 30,		
	2023	2022	
<b>Sempra:</b>			
Financial instruments:			
Interest rate instruments	\$ 1	\$ 2	Interest Expense
Interest rate instruments	(12)	1	Equity Earnings <sup>(1)</sup>
Foreign exchange instruments	(1)	—	Other Income (Expense), Net
Foreign exchange instruments	(1)	—	Equity Earnings
Interest rate and foreign exchange instruments	—	3	Other Income (Expense), Net
Total, before income tax	(13)	6	
	2	(2)	Income Tax Benefit (Expense)
Total, net of income tax	(11)	4	
	6	1	Earnings Attributable to Noncontrolling Interests
Total, net of income tax and after NCI	\$ (5)	\$ 5	
Pension and PBOP <sup>(2)</sup> :			
Amortization of actuarial loss	\$ 1	\$ 2	Other Income (Expense), Net
Amortization of prior service cost	1	1	Other Income (Expense), Net
Total, before income tax	2	3	
	(1)	(1)	Income Tax Benefit (Expense)
Total, net of income tax	\$ 1	\$ 2	
Total reclassifications for the period, net of income tax and after NCI	\$ (4)	\$ 7	
<b>SDG&amp;E:</b>			
Pension and PBOP <sup>(2)</sup> :			
Amortization of actuarial loss	\$ —	\$ 1	Other Income, Net
Total reclassifications for the period, net of income tax	\$ —	\$ 1	
<b>SoCalGas:</b>			
Pension and PBOP <sup>(2)</sup> :			
Amortization of prior service cost	\$ —	\$ 1	Other Expense, Net
Total reclassifications for the period, net of income tax	\$ —	\$ 1	

<sup>(1)</sup> Equity earnings at our foreign equity method investees are recognized after tax.

<sup>(2)</sup> Amounts are included in the computation of net periodic benefit cost (see "Net Periodic Benefit Cost" above).



**RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (CONTINUED)**
*(Dollars in millions)*

Details about AOCI	Amounts reclassified from AOCI		Affected line item on Condensed Consolidated Statements of Operations
	Nine months ended September 30,		
	2023	2022	
<b>Sempra:</b>			
Foreign currency translation adjustments	\$ —	\$ 1	Operation and Maintenance
Financial instruments:			
Interest rate instruments	\$ 1	\$ 1	Interest Expense
Interest rate instruments	(33)	28	Equity Earnings <sup>(1)</sup>
Foreign exchange instruments	—	(2)	Revenues: Energy-Related Businesses
	1	1	Other Income (Expense), Net
Foreign exchange instruments	1	(1)	Equity Earnings <sup>(1)</sup>
Interest rate and foreign exchange instruments	(1)	(1)	Interest Expense
	(6)	(3)	Other Income (Expense), Net
Total, before income tax	(37)	23	
	5	(7)	Income Tax Benefit (Expense)
Total, net of income tax	(32)	16	
	18	4	Earnings Attributable to Noncontrolling Interests
Total, net of income tax and after NCI	\$ (14)	\$ 20	
Pension and PBOP <sup>(2)</sup> :			
Amortization of actuarial loss	\$ 2	\$ 6	Other Income (Expense), Net
Amortization of prior service cost	2	3	Other Income (Expense), Net
Total, before income tax	4	9	
	(1)	(3)	Income Tax Benefit (Expense)
Total, net of income tax	\$ 3	\$ 6	
Total reclassifications for the period, net of income tax and after NCI	\$ (11)	\$ 27	
<b>SDG&amp;E:</b>			
Pension and PBOP <sup>(2)</sup> :			
Amortization of actuarial loss	\$ —	\$ 1	Other Income, Net
Total reclassifications for the period, net of income tax	\$ —	\$ 1	
<b>SoCalGas:</b>			
Financial instruments:			
Interest rate instruments	\$ 1	\$ 1	Interest Expense
Pension and PBOP <sup>(2)</sup> :			
Amortization of actuarial loss	\$ —	\$ 1	Other Expense, Net
Amortization of prior service cost	1	1	Other Expense, Net
Total, net of income tax	\$ 1	\$ 2	
Total reclassifications for the period, net of income tax	\$ 2	\$ 3	

<sup>(1)</sup> Equity earnings at our foreign equity method investees are recognized after tax.

<sup>(2)</sup> Amounts are included in the computation of net periodic benefit cost (see "Net Periodic Benefit Cost" above).

## SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS

### **Sempra Common Stock**

On May 12, 2023, Sempra's shareholders approved an amendment to Sempra's Articles of Incorporation to increase the number of authorized shares of Sempra's common stock from 750,000,000 to 1,125,000,000.

### **Sempra Common Stock Split in the Form of a Stock Dividend**

On August 2, 2023, Sempra's board of directors declared a two-for-one split of Sempra's common stock in the form of a 100% stock dividend for shareholders of record at the close of business on August 14, 2023. Each such shareholder of record received one additional share of Sempra common stock for every then-held share of Sempra common stock, which was distributed after the close of trading on August 21, 2023. Sempra's common stock began trading on a post-split basis effective August 22, 2023. Sempra's common stock continues to have no par value with 1,125,000,000 authorized shares.

All shares and per share information related to issued and outstanding common stock and outstanding equity awards with respect to common stock have been retroactively adjusted to reflect the stock split and are presented on a post-split basis herein.

### **Sempra Common Stock Repurchases**

In the nine months ended September 30, 2023 and 2022, we repurchased 411,447 shares for \$32 million and 404,806 shares for \$28 million, respectively, of our common stock from long-term incentive plan participants to satisfy minimum statutory tax withholding requirements in connection with the vesting of RSUs and exercise of stock options.

On January 11, 2022, we entered into an ASR program under which we prepaid \$200 million to repurchase shares of our common stock in a share forward transaction. A total of 2,945,512 shares were purchased under this program at an average price of \$67.90 per share. The total number of shares purchased was determined by dividing the \$200 million purchase price by the arithmetic average of the volume-weighted average trading prices of shares of our common stock during the valuation period of January 12, 2022 through February 11, 2022, minus a fixed discount. The ASR program was completed on February 11, 2022.

On April 6, 2022, we entered into an ASR program under which we prepaid \$250 million to repurchase shares of our common stock in a share forward transaction. A total of 2,943,914 shares were purchased under this program at an average price of \$84.92 per share. The total number of shares purchased was determined by dividing the \$250 million purchase price by the arithmetic average of the volume-weighted average trading prices of shares of our common stock during the valuation period of April 7, 2022 through April 25, 2022, minus a fixed discount. The ASR program was completed on April 25, 2022.

### **Other Noncontrolling Interests**

The following table provides information about NCI held by others in subsidiaries or entities consolidated by us and recorded in Other Noncontrolling Interests in Total Equity on Sempra's Condensed Consolidated Balance Sheets.

OTHER NONCONTROLLING INTERESTS				
(Dollars in millions)				
	Percent ownership held by noncontrolling interests		Equity held by noncontrolling interests	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Sempra Infrastructure:</b>				
SI Partners	30.0 %	30.0 %	\$ 4,011	\$ 2,060
SI Partners subsidiaries <sup>(1)</sup>	0.1 - 42.0	0.1 - 16.6	989	61
Total Sempra			\$ 5,000	\$ 2,121

<sup>(1)</sup> SI Partners has subsidiaries with NCI held by others. Percentage range reflects the highest and lowest ownership percentages among these subsidiaries.

## *Sempra Infrastructure*

**Sale of NCI to KKR Denali.** In September 2023, an indirect subsidiary of SI Partners completed the sale of an indirect 42% NCI in the PA LNG Phase 1 project to KKR Denali for aggregate cash consideration of approximately \$984 million, including its pro rata equity share of development costs incurred prior to the closing that exceeded \$439 million, subject to customary post-closing adjustments. As a result of this sale, we recorded a \$1.1 billion increase in equity held by NCI and a decrease in Sempra's shareholders' equity of \$56 million, including \$11 million in transaction costs and net of a \$22 million tax benefit.

At the closing of the sale of NCI to KKR Denali, the associated limited liability company agreement was amended and restated to include KKR Denali as a member of such company and to set forth certain governance and other agreements with respect to the funding of the PA LNG Phase 1 project. Pursuant to the limited liability company agreement, (i) the indirect subsidiary of SI Partners (a) is the managing member; (b) exclusively holds the right to make decisions with respect to certain expansions, such as the potential PA LNG Phase 2 project; (c) has certain rights to preferential distributions from specified revenues and expansion true-up payments; and (d) through a parent entity that is a subsidiary of Sempra, bears a disproportionately higher allocation of certain capital contribution commitments in certain budgetary overrun scenarios, and (ii) KKR Denali has certain investor protection voting rights. The indirect subsidiary of SI Partners and KKR Denali have also made capital contribution commitments to fund their respective equity share of the equity funding amount of anticipated development costs of the PA LNG Phase 1 project, except in those certain budget overrun scenarios discussed above.

Upon closing the sale of NCI to KKR Denali, Sempra holds an indirect interest in the PA LNG Phase 1 project of 19.6%.

**Sale of NCI to ConocoPhillips Affiliate.** In March 2023, an indirect subsidiary of SI Partners completed the sale of an indirect 30% NCI in the PA LNG Phase 1 project to an affiliate of ConocoPhillips for aggregate cash consideration of \$254 million, subject to customary post-closing adjustments. As a result of this sale, we recorded a \$234 million increase in equity held by NCI and an increase in Sempra's shareholders' equity of \$12 million, net of \$3 million in transaction costs and \$5 million in tax expense.

At the closing of the sale of NCI to the ConocoPhillips affiliate, the associated limited liability company agreement was amended and restated to include the ConocoPhillips affiliate as a member of such company and to set forth certain governance and other agreements with respect to the funding of the PA LNG Phase 1 project. Pursuant to the limited liability company agreement, such company will generally be managed by a board of managers, initially constituting three representatives appointed by the indirect subsidiary of SI Partners and two representatives appointed by the ConocoPhillips affiliate.

The indirect subsidiary of SI Partners and the ConocoPhillips affiliate have made certain customary capital contribution commitments to fund their respective pro rata equity share of the total anticipated capital calls for the equity portion of the anticipated development costs of the PA LNG Phase 1 project. In addition, both SI Partners and ConocoPhillips provided guarantees relating to their respective affiliate's commitment to make its pro rata equity share of capital contributions to fund 110% of the development budget of the PA LNG Phase 1 project, in an aggregate amount of up to \$9.0 billion. SI Partners' guarantee covers 70% of this amount plus enforcement costs of its guarantee.

**Sale of NCI to ADIA.** In June 2022, Sempra and ADIA consummated the transaction contemplated under a purchase and sale agreement dated December 21, 2021 (the ADIA Purchase Agreement). Pursuant to the ADIA Purchase Agreement, ADIA acquired Class A Units representing a 10% NCI in SI Partners for a purchase price of \$1.7 billion. Following the closing of the transaction, Sempra, KKR Pinnacle and ADIA directly or indirectly own 70%, 20%, and 10%, respectively, of the outstanding Class A Units of SI Partners, which excludes the non-voting Sole Risk Interests held only by Sempra. As a result of this sale to ADIA, we recorded a \$709 million increase in equity held by NCI and an increase in Sempra's shareholders' equity of \$710 million, net of \$12 million in transaction costs and \$300 million in tax impacts. Transaction costs include \$10 million paid to ADIA for reimbursement of certain expenses that ADIA incurred in connection with closing the transaction.

**Contributions from NCI.** In October 2021, KKR Pinnacle acquired a 20% NCI in SI Partners. Under the limited partnership agreement that governs our and KKR Pinnacle's respective rights and obligations in respect of our and their ownership interests in SI Partners, KKR Pinnacle was entitled to a \$200 million credit from Sempra to be applied to capital calls once an LNG project reached a positive final investment decision and met certain projected internal rates of return. In the three months and nine months ended September 30, 2023, KKR Pinnacle used \$14 million and \$200 million, respectively, of this credit to fund its share of contributions to SI Partners. As a result, we recorded a \$200 million increase in equity held by NCI and a decrease in Sempra's shareholders' equity of \$145 million, net of a tax benefit.

## SEMPRA EARNINGS PER COMMON SHARE

Basic EPS is calculated by dividing earnings attributable to common shares by the weighted-average number of common shares outstanding for the period. Diluted EPS includes the potential dilution of common stock equivalent shares that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

### EARNINGS PER COMMON SHARE COMPUTATIONS

(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Numerator:</b>				
Earnings attributable to common shares	\$ 721	\$ 485	\$ 2,293	\$ 1,656
<b>Denominator:</b>				
Weighted-average common shares outstanding for basic EPS <sup>(1)</sup>	630,036	629,447	629,963	630,603
Dilutive effect of stock options and RSUs <sup>(2)</sup>	2,288	2,728	2,268	2,311
Weighted-average common shares outstanding for diluted EPS	632,324	632,175	632,231	632,914
<b>EPS:</b>				
Basic	\$ 1.14	\$ 0.77	\$ 3.64	\$ 2.63
Diluted	\$ 1.14	\$ 0.77	\$ 3.63	\$ 2.62

<sup>(1)</sup> Includes 716 and 803 fully vested RSUs held in our Deferred Compensation Plan for the three months ended September 30, 2023 and 2022, respectively, and 716 and 805 of such RSUs for the nine months ended September 30, 2023 and 2022, respectively. These fully vested RSUs are included in weighted-average common shares outstanding for basic EPS because there are no conditions under which the corresponding shares will not be issued.

<sup>(2)</sup> Due to market fluctuations of both Sempra common stock and the comparative indices used to determine the vesting percentage of our total shareholder return performance-based RSUs, which we discuss in Note 10 of the Notes to Consolidated Financial Statements in the Annual Report, dilutive RSUs may vary widely from period-to-period.

The potentially dilutive impact from stock options and RSUs is calculated under the treasury stock method. Under this method, proceeds based on the exercise price and unearned compensation are assumed to be used to repurchase shares on the open market at the average market price for the period, reducing the number of potential new shares to be issued and sometimes causing an antidilutive effect. The computation of diluted EPS for the three months and nine months ended September 30, 2023 excludes 624,242 and 470,804 potentially dilutive shares, respectively, and the computation of diluted EPS for the three months and nine months ended September 30, 2022 excludes no potentially dilutive shares and 230,752 potentially dilutive shares, respectively, because to include them would be antidilutive for the period. However, these shares could potentially dilute basic EPS in the future.

Pursuant to Sempra's share-based compensation plans, the Compensation and Talent Development Committee of Sempra's board of directors granted 326,574 nonqualified stock options, 661,620 performance-based RSUs and 272,729 service-based RSUs in the nine months ended September 30, 2023, primarily in January.

We discuss share-based compensation plans and related awards and the terms and conditions of Sempra's equity securities further in Notes 10, 13 and 14 of the Notes to Consolidated Financial Statements in the Annual Report.

**TRANSACTIONS WITH AFFILIATES**

We summarize amounts due from and to unconsolidated affiliates at Sempra, SDG&E and SoCalGas in the following table.

<b>AMOUNTS DUE FROM (TO) UNCONSOLIDATED AFFILIATES</b>	<i>(Dollars in millions)</i>	
	September 30, 2023	December 31, 2022
<b>Sempra:</b>		
Tax sharing arrangement with Oncor Holdings	\$ 34	\$ 41
Various affiliates	8	13
Total due from unconsolidated affiliates – current	<u>\$ 42</u>	<u>\$ 54</u>
<b>Sempra Infrastructure<sup>(1)</sup>:</b>		
TAG Pipelines Norte, S. de R.L. de C.V. – 5.5% Note due January 9, 2024	\$ (5)	\$ —
Total due to unconsolidated affiliates – current	<u>\$ (5)</u>	<u>\$ —</u>
<b>Sempra Infrastructure<sup>(1)</sup>:</b>		
TAG Pipelines Norte, S. de R.L. de C.V.:		
5.5% Note due January 9, 2024	\$ —	\$ (40)
5.5% Note due January 14, 2025	(24)	(23)
5.5% Note due July 16, 2025	(22)	(21)
5.5% Note due January 14, 2026	(20)	(19)
5.5% Note due July 14, 2026	(11)	(11)
5.5% Note due January 19, 2027	(14)	—
5.5% Note due July 21, 2027	(17)	—
TAG – 5.74% Note due December 17, 2029	(195)	(187)
Total due to unconsolidated affiliates – noncurrent	<u>\$ (303)</u>	<u>\$ (301)</u>
<b>SDG&amp;E:</b>		
SoCalGas	\$ 8	\$ —
Total due from unconsolidated affiliates – current	<u>\$ 8</u>	<u>\$ —</u>
Sempra	\$ (38)	\$ (49)
SoCalGas	—	(72)
Various affiliates	(11)	(14)
Total due to unconsolidated affiliates – current	<u>\$ (49)</u>	<u>\$ (135)</u>
Income taxes due (to) from Sempra <sup>(2)</sup>	\$ (43)	\$ 10
<b>SoCalGas:</b>		
SDG&E	\$ —	\$ 72
Various affiliates	1	5
Total due from unconsolidated affiliates – current	<u>\$ 1</u>	<u>\$ 77</u>
Sempra	\$ (30)	\$ (36)
SDG&E	(8)	—
Total due to unconsolidated affiliates – current	<u>\$ (38)</u>	<u>\$ (36)</u>
Income taxes due to Sempra <sup>(2)</sup>	\$ (6)	\$ (16)

<sup>(1)</sup> U.S. dollar-denominated loans at fixed interest rates. Amounts include principal balances plus accumulated interest outstanding.

<sup>(2)</sup> SDG&E and SoCalGas are included in the consolidated income tax return of Sempra, and their respective income tax expense is computed as an amount equal to that which would result from each company having always filed a separate return. Amounts include current and noncurrent income taxes due to/from Sempra.

The following table summarizes income statement information from unconsolidated affiliates.

### INCOME STATEMENT IMPACT FROM UNCONSOLIDATED AFFILIATES

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Sempra:</b>				
Revenues	\$ 10	\$ 10	\$ 34	\$ 32
Interest income	—	2	—	16
Interest expense	3	4	11	12
<b>SDG&amp;E:</b>				
Revenues	\$ 5	\$ 4	\$ 15	\$ 12
Cost of sales	25	17	82	67
<b>SoCalGas:</b>				
Revenues	\$ 29	\$ 24	\$ 91	\$ 73
Cost of sales <sup>(1)</sup>	2	(1)	37	(5)

<sup>(1)</sup> Includes net commodity costs from natural gas transactions with unconsolidated affiliates.

### Guarantees

Sempra provided guarantees related to Cameron LNG JV's SDSRA and CFIN's Support Agreement, which remain outstanding. We discuss these guarantees in Note 5 below and in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

**OTHER INCOME (EXPENSE), NET**

Other Income (Expense), Net, consists of the following:

**OTHER INCOME (EXPENSE), NET**

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Sempra:</b>				
Allowance for equity funds used during construction	\$ 35	\$ 35	\$ 105	\$ 104
Investment losses, net <sup>(1)</sup>	(19)	(13)	(2)	(60)
Gains (losses) on interest rate and foreign exchange instruments, net	1	(3)	5	2
Foreign currency transaction (losses) gains, net <sup>(2)</sup>	(3)	4	1	(18)
Non-service components of net periodic benefit cost	(28)	(77)	(79)	(45)
Interest on regulatory balancing accounts, net	19	7	56	12
Sundry, net	(2)	7	(11)	2
<b>Total</b>	<b>\$ 3</b>	<b>\$ (40)</b>	<b>\$ 75</b>	<b>\$ (3)</b>
<b>SDG&amp;E:</b>				
Allowance for equity funds used during construction	\$ 21	\$ 22	\$ 67	\$ 64
Non-service components of net periodic benefit cost	(5)	(17)	(14)	(8)
Interest on regulatory balancing accounts, net	10	5	31	9
Sundry, net	(1)	2	(9)	3
<b>Total</b>	<b>\$ 25</b>	<b>\$ 12</b>	<b>\$ 75</b>	<b>\$ 68</b>
<b>SoCalGas:</b>				
Allowance for equity funds used during construction	\$ 14	\$ 14	\$ 38	\$ 40
Non-service components of net periodic benefit cost	(22)	(58)	(60)	(32)
Interest on regulatory balancing accounts, net	9	2	25	3
Sundry, net	(3)	(1)	(12)	(16)
<b>Total</b>	<b>\$ (2)</b>	<b>\$ (43)</b>	<b>\$ (9)</b>	<b>\$ (5)</b>

<sup>(1)</sup> Represents net investment losses on dedicated assets in support of our executive retirement and deferred compensation plans. These amounts are offset by corresponding changes in compensation expense related to the plans, recorded in O&M on the Condensed Consolidated Statements of Operations.

<sup>(2)</sup> Includes losses of \$11 in the nine months ended September 30, 2022 from translation to U.S. dollars of a Mexican peso-denominated loan to IMG, which are offset by corresponding amounts included in Equity Earnings on the Condensed Consolidated Statement of Operations.

## INCOME TAXES

We provide our calculations of ETRs in the following table.

### INCOME TAX (BENEFIT) EXPENSE AND EFFECTIVE INCOME TAX RATES

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Sempra:</b>				
Income tax (benefit) expense	\$ (52)	\$ 21	\$ 499	\$ 435
Income before income taxes and equity earnings	\$ 323	\$ 165	\$ 2,175	\$ 1,194
Equity earnings, before income tax <sup>(1)</sup>	133	134	418	436
Pretax income	\$ 456	\$ 299	\$ 2,593	\$ 1,630
Effective income tax rate	(11)%	7 %	19 %	27 %
<b>SDG&amp;E:</b>				
Income tax (benefit) expense	\$ (15)	\$ 35	\$ (4)	\$ 141
Income before income taxes	\$ 259	\$ 306	\$ 712	\$ 822
Effective income tax rate	(6)%	11 %	(1)%	17 %
<b>SoCalGas:</b>				
Income tax (benefit) expense	\$ (5)	\$ (28)	\$ 68	\$ 75
Income (loss) before income taxes	\$ 11	\$ (110)	\$ 600	\$ 415
Effective income tax rate	(45)%	25 %	11 %	18 %

<sup>(1)</sup> We discuss how we recognize equity earnings in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

Sempra, SDG&E and SoCalGas record income taxes for interim periods utilizing a forecasted ETR anticipated for the full year. Unusual and infrequent items and items that cannot be reliably estimated are recorded in the interim period in which they occur, which can result in variability in the ETR.

For SDG&E and SoCalGas, the CPUC requires flow-through rate-making treatment for the current income tax benefit or expense arising from certain property-related and other temporary differences between the treatment for financial reporting and income tax, which will reverse over time. Under the regulatory accounting treatment required for these flow-through temporary differences, deferred income tax assets and liabilities are not recorded to deferred income tax expense, but rather to a regulatory asset or liability, which impacts the ETR. As a result, changes in the relative size of these items compared to pretax income, from period to period, can cause variations in the ETR. The following items are subject to flow-through treatment:

- repairs expenditures related to a certain portion of utility plant fixed assets
- the equity portion of AFUDC, which is non-taxable
- a portion of the cost of removal of utility plant assets
- utility self-developed software expenditures
- depreciation on a certain portion of utility plant assets
- state income taxes

AFUDC related to equity recorded for regulated construction projects at Sempra Infrastructure has similar flow-through treatment.

Under the IRA, beginning in 2023, the scope of projects eligible for investment tax credits was expanded to include standalone energy storage projects. The IRA also provided an election that prospectively permits investment tax credits related to standalone energy storage projects to be returned to utility customers over a period that is shorter than the life of the applicable asset. Under this election, SDG&E recorded a regulatory liability to offset these investment tax credits, which reduced SDG&E's and Sempra's ETR in 2023.



In April 2023, the IRS issued Revenue Procedure 2023-15, which provides a safe harbor method of accounting for gas repairs expenditures. As a result of this Revenue Procedure, SoCalGas updated its assessment of prior years' unrecognized income tax benefits and, in the nine months ended September 30, 2023, recorded an income tax benefit of \$43 million for previously unrecognized income tax benefits pertaining to gas repairs expenditures. SoCalGas recorded an associated regulatory liability for the portion that will benefit customers in the future. We are assessing the potential future impacts of this Revenue Procedure.

In the nine months ended September 30, 2022, we recognized income tax expense of \$120 million for a deferred income tax liability related to outside basis differences in our foreign subsidiaries that we had previously considered to be indefinitely reinvested.

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## NOTE 2. NEW ACCOUNTING STANDARDS

There are no recent accounting pronouncements that have had or may have a significant effect on our results of operations, financial condition, cash flows and/or disclosures.

### NOTE 3. REVENUES

We discuss revenue recognition for revenues from contracts with customers and from sources other than contracts with customers in Note 3 of the Notes to Consolidated Financial Statements in the Annual Report.

The following table disaggregates our revenues from contracts with customers by major service line and market and provides a reconciliation to total revenues by segment. The majority of our revenue is recognized over time.

#### DISAGGREGATED REVENUES

(Dollars in millions)

	SDG&E	SoCalGas	Sempra Infrastructure	Consolidating adjustments and Parent and other	Sempra
Three months ended September 30, 2023					
<b>By major service line:</b>					
Utilities	\$ 1,438	\$ 1,120	\$ 18	\$ (35)	\$ 2,541
Energy-related businesses	—	—	369	(16)	353
Revenues from contracts with customers	\$ 1,438	\$ 1,120	\$ 387	\$ (51)	\$ 2,894
<b>By market:</b>					
Gas	\$ 182	\$ 1,120	\$ 234	\$ (30)	\$ 1,506
Electric	1,256	—	153	(21)	1,388
Revenues from contracts with customers	\$ 1,438	\$ 1,120	\$ 387	\$ (51)	\$ 2,894
Revenues from contracts with customers	\$ 1,438	\$ 1,120	\$ 387	\$ (51)	\$ 2,894
Utilities regulatory revenues	4	193	—	—	197
Other revenues	—	—	242	1	243
Total revenues	\$ 1,442	\$ 1,313	\$ 629	\$ (50)	\$ 3,334
Nine months ended September 30, 2023					
<b>By major service line:</b>					
Utilities	\$ 4,603	\$ 6,252	\$ 67	\$ (107)	\$ 10,815
Energy-related businesses	—	—	916	(56)	860
Revenues from contracts with customers	\$ 4,603	\$ 6,252	\$ 983	\$ (163)	\$ 11,675
<b>By market:</b>					
Gas	\$ 988	\$ 6,252	\$ 605	\$ (95)	\$ 7,750
Electric	3,615	—	378	(68)	3,925
Revenues from contracts with customers	\$ 4,603	\$ 6,252	\$ 983	\$ (163)	\$ 11,675
Revenues from contracts with customers	\$ 4,603	\$ 6,252	\$ 983	\$ (163)	\$ 11,675
Utilities regulatory revenues	(246)	322	—	—	76
Other revenues	—	—	1,502	(24)	1,478
Total revenues	\$ 4,357	\$ 6,574	\$ 2,485	\$ (187)	\$ 13,229

**DISAGGREGATED REVENUES (CONTINUED)**
*(Dollars in millions)*

	SDG&E	SoCalGas	Sempra Infrastructure	Consolidating adjustments and Parent and other	Sempra
Three months ended September 30, 2022					
<b>By major service line:</b>					
Utilities	\$ 1,383	\$ 1,214	\$ 19	\$ (29)	\$ 2,587
Energy-related businesses	—	—	532	(13)	519
Revenues from contracts with customers	\$ 1,383	\$ 1,214	\$ 551	\$ (42)	\$ 3,106
<b>By market:</b>					
Gas	\$ 175	\$ 1,214	\$ 379	\$ (30)	\$ 1,738
Electric	1,208	—	172	(12)	1,368
Revenues from contracts with customers	\$ 1,383	\$ 1,214	\$ 551	\$ (42)	\$ 3,106
Revenues from contracts with customers	\$ 1,383	\$ 1,214	\$ 551	\$ (42)	\$ 3,106
Utilities regulatory revenues	186	171	—	—	357
Other revenues	—	—	146	8	154
Total revenues	\$ 1,569	\$ 1,385	\$ 697	\$ (34)	\$ 3,617

Nine months ended September 30, 2022

<b>By major service line:</b>					
Utilities	\$ 4,134	\$ 4,473	\$ 67	\$ (85)	\$ 8,589
Energy-related businesses	—	—	1,281	(42)	1,239
Revenues from contracts with customers	\$ 4,134	\$ 4,473	\$ 1,348	\$ (127)	\$ 9,828
<b>By market:</b>					
Gas	\$ 664	\$ 4,473	\$ 948	\$ (75)	\$ 6,010
Electric	3,470	—	400	(52)	3,818
Revenues from contracts with customers	\$ 4,134	\$ 4,473	\$ 1,348	\$ (127)	\$ 9,828
Revenues from contracts with customers	\$ 4,134	\$ 4,473	\$ 1,348	\$ (127)	\$ 9,828
Utilities regulatory revenues	279	406	—	—	685
Other revenues	—	—	462	9	471
Total revenues	\$ 4,413	\$ 4,879	\$ 1,810	\$ (118)	\$ 10,984

**REVENUES FROM CONTRACTS WITH CUSTOMERS**
**Remaining Performance Obligations**

For contracts greater than one year, at September 30, 2023, we expect to recognize revenue related to the fixed fee component of the consideration as shown below. Sempra's remaining performance obligations primarily relate to capacity agreements for natural gas storage and transportation at Sempra Infrastructure and transmission line projects at SDG&E. SoCalGas did not have any remaining performance obligations at September 30, 2023.

**REMAINING PERFORMANCE OBLIGATIONS<sup>(1)</sup>**
*(Dollars in millions)*

	Sempra	SDG&E
2023 (excluding first nine months of 2023)	\$ 85	\$ 1
2024	300	4
2025	338	4
2026	365	4
2027	365	4
Thereafter	4,077	59
Total revenues to be recognized	\$ 5,530	\$ 76

<sup>(1)</sup> Excludes intercompany transactions.

### Contract Liabilities from Revenues from Contracts with Customers

Activities within Sempra's and SDG&E's contract liabilities are presented below. There were no contract liabilities at SoCalGas in the nine months ended September 30, 2023 or 2022. Sempra Infrastructure recorded a contract liability for funds held as collateral in lieu of a customer's letters of credit associated with its LNG storage and regasification agreement.

CONTRACT LIABILITIES				
<i>(Dollars in millions)</i>				
	2023		2022	
<b>Sempra:</b>				
Contract liabilities at January 1	\$	(252)	\$	(278)
Revenue from performance obligations satisfied during reporting period		9		129
Payments received in advance		(21)		(105)
Contract liabilities at September 30 <sup>(1)</sup>	\$	(264)	\$	(254)
<b>SDG&amp;E:</b>				
Contract liabilities at January 1	\$	(79)	\$	(83)
Revenue from performance obligations satisfied during reporting period		3		3
Contract liabilities at September 30 <sup>(2)</sup>	\$	(76)	\$	(80)

<sup>(1)</sup> Balances at September 30, 2023 include \$9 in Other Current Liabilities and \$255 in Deferred Credits and Other.

<sup>(2)</sup> Balances at September 30, 2023 include \$4 in Other Current Liabilities and \$72 in Deferred Credits and Other.

### Receivables from Revenues from Contracts with Customers

The table below shows receivable balances associated with revenues from contracts with customers on the Condensed Consolidated Balance Sheets.

RECEIVABLES FROM REVENUES FROM CONTRACTS WITH CUSTOMERS				
<i>(Dollars in millions)</i>				
	September 30, 2023		December 31, 2022	
<b>Sempra:</b>				
Accounts receivable – trade, net <sup>(1)</sup>	\$	1,780	\$	2,291
Accounts receivable – other, net		15		25
Due from unconsolidated affiliates – current <sup>(2)</sup>		5		9
Other long-term assets <sup>(3)</sup>		1		9
Total	\$	1,801	\$	2,334
<b>SDG&amp;E:</b>				
Accounts receivable – trade, net <sup>(1)</sup>	\$	952	\$	799
Accounts receivable – other, net		13		12
Due from unconsolidated affiliates – current <sup>(2)</sup>		6		2
Other long-term assets <sup>(3)</sup>		1		6
Total	\$	972	\$	819
<b>SoCalGas:</b>				
Accounts receivable – trade, net	\$	665	\$	1,295
Accounts receivable – other, net		2		13
Other long-term assets <sup>(3)</sup>		—		3
Total	\$	667	\$	1,311

<sup>(1)</sup> At September 30, 2023 and December 31, 2022, includes \$201 and \$72, respectively, of receivables due from customers that were billed on behalf of CCAs, which are not included in revenues.

<sup>(2)</sup> Amount is presented net of amounts due to unconsolidated affiliates on the Condensed Consolidated Balance Sheets, when right of offset exists.

<sup>(3)</sup> In connection with the COVID-19 pandemic and at the direction of the CPUC, SDG&E and SoCalGas enrolled residential and small business customers with past-due balances in long-term repayment plans.

#### NOTE 4. REGULATORY MATTERS

We discuss regulatory matters in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report and provide updates to those discussions and information about new regulatory matters below. With the exception of regulatory balancing accounts, we generally do not earn a return on our regulatory assets until such time as a related cash expenditure has been made. Upon the occurrence of a cash expenditure associated with a regulatory asset, the related amounts are recoverable through a regulatory account mechanism for which we earn a return authorized by applicable regulators, which generally approximates the three-month commercial paper rate. The periods during which we recognize a regulatory asset while we do not earn a return vary by regulatory asset.

#### REGULATORY ASSETS (LIABILITIES)

(Dollars in millions)

	September 30, 2023	December 31, 2022
<b>SDG&amp;E:</b>		
Fixed-price contracts and other derivatives	\$ (10)	\$ (110)
Deferred income taxes recoverable in rates	518	296
Pension and PBOP plan obligations	(2)	11
Removal obligations	(2,382)	(2,248)
Environmental costs	105	107
Sunrise Powerlink fire mitigation	123	123
Regulatory balancing accounts <sup>(1)(2)</sup> :		
Commodity – electric	111	220
Gas transportation	15	60
Safety and reliability	186	107
Public purpose programs	(133)	(69)
Wildfire mitigation plan	607	375
Liability insurance premium	96	99
Other balancing accounts	(338)	(50)
Other regulatory assets, net <sup>(2)</sup>	96	137
<b>Total SDG&amp;E</b>	<b>(1,008)</b>	<b>(942)</b>
<b>SoCalGas:</b>		
Deferred income taxes recoverable in rates	244	161
Pension and PBOP plan obligations	(265)	(170)
Employee benefit costs	24	24
Removal obligations	(597)	(616)
Environmental costs	39	38
Regulatory balancing accounts <sup>(1)(2)</sup> :		
Commodity – gas, including transportation	(356)	(257)
Safety and reliability	691	575
Public purpose programs	(149)	(158)
Liability insurance premium	23	23
Other balancing accounts	519	115
Other regulatory assets, net <sup>(2)</sup>	224	223
<b>Total SoCalGas</b>	<b>397</b>	<b>(42)</b>
<b>Sempra Infrastructure:</b>		
Deferred income taxes recoverable in rates	78	78
Other regulatory assets	3	—
<b>Total Sempra Infrastructure</b>	<b>81</b>	<b>78</b>
<b>Total Sempra</b>	<b>\$ (530)</b>	<b>\$ (906)</b>

<sup>(1)</sup> At September 30, 2023 and December 31, 2022, the noncurrent portion of regulatory balancing accounts – net undercollected for SDG&E was \$842 and \$562, respectively, and for SoCalGas was \$957 and \$692, respectively.

<sup>(2)</sup> Includes regulatory assets earning a return authorized by applicable regulators, which generally approximates the three-month commercial paper rate.

## SEMPRA CALIFORNIA

### CPUC GRC

The CPUC uses GRCs to set revenues to allow SDG&E and SoCalGas to recover their reasonable operating costs and to provide the opportunity to realize their authorized rates of return on their investments.

In May 2022, SDG&E and SoCalGas filed their 2024 GRC applications requesting CPUC approval of test year revenue requirements for 2024 and attrition year adjustments for 2025 through 2027. SDG&E and SoCalGas requested revenue requirements for 2024 of \$3.0 billion and \$4.4 billion, respectively. SDG&E and SoCalGas proposed post-test year revenue requirement changes using various mechanisms that are estimated to result in annual increases of approximately 8% to 11% at SDG&E and approximately 6% to 8% at SoCalGas. Intervening parties have proposed various adjustments to SDG&E's and SoCalGas' revenue requirement requests. In October 2022, the CPUC issued a scoping ruling that set a schedule for the proceeding, including the expected issuance of a proposed decision in the second quarter of 2024. The CPUC has authorized SDG&E and SoCalGas to recognize the effects of the GRC final decision retroactive to January 1, 2024. In October 2023, SDG&E submitted a separate request with the CPUC in its 2024 GRC describing \$2.2 billion in costs to implement its wildfire mitigation plans from 2019 through 2022, and seeking review and recovery of the incremental wildfire mitigation plan costs incurred during that period, totaling \$1.5 billion. SDG&E expects to receive a proposed decision on this request in the second half of 2024. SDG&E also expects to submit in mid-2024 a separate request in its 2024 GRC for review and recovery of its wildfire mitigation plan costs incurred in 2023. The results of the GRC may materially and adversely differ from what is contained in the GRC applications.

### CPUC Cost of Capital

The CPUC approved the following cost of capital for SDG&E and SoCalGas that became effective on January 1, 2023 and will remain in effect through December 31, 2025, subject to the CCM. The CPUC has issued a ruling to initiate a second phase of this cost of capital proceeding to evaluate potential modifications to the CCM.

#### CPUC AUTHORIZED COST OF CAPITAL FOR 2023 – 2025

SDG&E			SoCalGas		
Authorized weighting	Return on rate base	Weighted return on rate base <sup>(1)</sup>	Authorized weighting	Return on rate base	Weighted return on rate base
45.25 %	4.05 %	1.83 %	45.60 %	4.07 %	1.86 %
2.75	6.22	0.17	2.40	6.00	0.14
52.00	9.95	5.17	52.00	9.80	5.10
<b>100.00 %</b>		<b>7.18 %</b>	<b>100.00 %</b>		<b>7.10 %</b>

<sup>(1)</sup> Total weighted return on rate base does not sum due to rounding differences.

The CCM was triggered for SDG&E and SoCalGas on September 30, 2023 and, subject to regulatory approval, would increase each of their authorized rates of return effective January 1, 2024 as follows:

#### PROPOSED CPUC COST OF CAPITAL FOR 2024 – 2025

SDG&E			SoCalGas		
Authorized weighting	Return on rate base	Weighted return on rate base	Authorized weighting	Return on rate base	Weighted return on rate base
45.25 %	4.34 %	1.96 %	45.60 %	4.54 %	2.07 %
2.75	6.22	0.17	2.40	6.00	0.14
52.00	10.65	5.54	52.00	10.50	5.46
<b>100.00 %</b>		<b>7.67 %</b>	<b>100.00 %</b>		<b>7.67 %</b>

## SDG&E

### FERC Rate Matters

SDG&E files separately with the FERC for its authorized ROE on FERC-regulated electric transmission operations and assets. SDG&E's currently effective TO5 settlement provides for a ROE of 10.60%, consisting of a base ROE of 10.10% plus an additional 50 bps for participation in the California ISO (the California ISO adder). If the FERC issues an order ruling that California IOUs are no longer eligible for the California ISO adder, SDG&E would refund the California ISO adder as of the refund effective date (June 1, 2019) if such a refund is determined to be required by the terms of the TO5 settlement. The TO5 term is effective June 1, 2019 and shall remain in effect until terminated by a notice provided at least six months before the end of the calendar year. Following such notice, SDG&E would file an updated rate request with an effective date of January 1 of the following year.

## NOTE 5. INVESTMENTS IN UNCONSOLIDATED ENTITIES

We generally account for investments under the equity method when we have significant influence over, but do not have control of, these entities. Equity earnings and losses, both before and net of income tax, are combined and presented as Equity Earnings on the Condensed Consolidated Statements of Operations. See Note 11 for information on equity earnings and losses, both before and net of income tax, by segment. See Note 1 for information on how equity earnings and losses before income taxes are factored into the calculations of our pretax income or loss and ETR.

We provide additional information concerning our equity method investments in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

## SEMPRA TEXAS UTILITIES

### Oncor Holdings

We account for our 100% equity ownership interest in Oncor Holdings, which owns an 80.25% interest in Oncor, as an equity method investment. Due to the ring-fence measures, governance mechanisms and commitments in effect, we do not have the power to direct the significant activities of Oncor Holdings and Oncor. See Note 6 of the Notes to Consolidated Financial Statements in the Annual Report for additional information related to the restrictions on our ability to direct the significant activities of Oncor Holdings and Oncor.

In the nine months ended September 30, 2023 and 2022, Sempra contributed \$270 million and \$256 million, respectively, to Oncor Holdings, and Oncor Holdings distributed \$323 million and \$255 million, respectively, to Sempra.

We provide summarized income statement information for Oncor Holdings in the following table.

### SUMMARIZED FINANCIAL INFORMATION – ONCOR HOLDINGS

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating revenues	\$ 1,592	\$ 1,438	\$ 4,227	\$ 3,980
Operating expenses	(1,007)	(929)	(3,007)	(2,734)
Income from operations	585	509	1,220	1,246
Interest expense	(140)	(115)	(396)	(331)
Income tax expense	(81)	(70)	(148)	(164)
Net income	376	315	672	732
Noncontrolling interest held by Texas Transmission Investment LLC	(75)	(62)	(135)	(146)
Earnings attributable to Sempra <sup>(1)</sup>	301	253	537	586

<sup>(1)</sup> Excludes adjustments to equity earnings related to amortization of a tax sharing liability associated with a tax sharing arrangement and changes in basis differences in AOCI within the carrying value of our equity method investment.

## SEMPRA INFRASTRUCTURE

### ***Cameron LNG JV***

In the nine months ended September 30, 2023 and 2022, Sempra Infrastructure contributed \$11 million and \$19 million, respectively, to Cameron LNG JV, and Cameron LNG JV distributed \$339 million and \$388 million, respectively, to Sempra Infrastructure.

### ***Sempra Promissory Note for SDSRA Distribution***

Cameron LNG JV's debt agreements require Cameron LNG JV to maintain the SDSRA, which is an additional reserve account beyond the Senior Debt Service Accrual Account, where funds accumulate from operations to satisfy senior debt obligations due and payable on the next payment date. Both accounts can be funded with cash or authorized investments. In June 2021, Sempra Infrastructure received a distribution of \$165 million based on its proportionate share of the SDSRA, for which Sempra provided a promissory note and letters of credit to secure a proportionate share of Cameron LNG JV's obligation to fund the SDSRA. Sempra's maximum exposure to loss is replenishment of the amount withdrawn by Sempra Infrastructure from the SDSRA, or \$165 million. We recorded a guarantee liability of \$22 million in June 2021, with an associated carrying value of \$19 million at September 30, 2023, for the fair value of the promissory note, which is being reduced over the duration of the guarantee through Sempra Infrastructure's investment in Cameron LNG JV. The guarantee will terminate upon full repayment of Cameron LNG JV's debt, scheduled to occur in 2039, or replenishment of the amount withdrawn by Sempra Infrastructure from the SDSRA.

### ***Sempra Support Agreement for CFIN***

In July 2020, CFIN entered into a financing arrangement with Cameron LNG JV's four project owners and received aggregate proceeds of \$1.5 billion from two project owners and from external lenders on behalf of the other two project owners (collectively, the affiliate loans), based on their proportionate ownership interest in Cameron LNG JV. CFIN used the proceeds from the affiliate loans to provide a loan to Cameron LNG JV. The affiliate loans mature in 2039. Principal and interest will be paid from Cameron LNG JV's project cash flows from its three-train natural gas liquefaction facility. Cameron LNG JV used the proceeds from its loan to return equity to its project owners. Sempra used its \$753 million share of the proceeds for working capital and other general corporate purposes, including the repayment of indebtedness.

Sempra Infrastructure's \$753 million proportionate share of the affiliate loans, based on SI Partners' 50.2% ownership interest in Cameron LNG JV, was funded by external lenders comprised of a syndicate of eight banks (the bank debt) to whom Sempra has provided a guarantee pursuant to a Support Agreement under which:

- Sempra has severally guaranteed repayment of the bank debt plus accrued and unpaid interest if CFIN fails to pay the external lenders;
- the external lenders may exercise an option to put the bank debt to Sempra Infrastructure upon the occurrence of certain events, including a failure by CFIN to meet its payment obligations under the bank debt;
- the external lenders will put some or all of the bank debt to Sempra Infrastructure on the fifth, tenth, or fifteenth anniversary date of the affiliate loans, except the portion of the debt owed to any external lender that has elected not to participate in the put option six months prior to the respective anniversary date;
- Sempra Infrastructure also has a right to call the bank debt back from, or to refinance the bank debt with, the external lenders at any time; and
- the Support Agreement will terminate upon full repayment of the bank debt, including repayment following an event in which the bank debt is put to Sempra Infrastructure.

In exchange for this guarantee, the external lenders pay a guarantee fee that is based on the credit rating of Sempra's long-term senior unsecured non-credit enhanced debt rating, which guarantee fee Sempra Infrastructure recognizes as interest income as earned. Sempra's maximum exposure to loss is the bank debt plus any accrued and unpaid interest and related fees, subject to a liability cap of 130% of the bank debt, or \$979 million. We measure the Support Agreement at fair value, net of related guarantee fees, on a recurring basis (see Note 8). At September 30, 2023, the fair value of the Support Agreement was \$18 million, of which \$7 million is included in Other Current Assets and \$11 million is included in Other Long-Term Assets on Sempra's Condensed Consolidated Balance Sheet.

### ***TAG***

In the nine months ended September 30, 2023 and 2022, TAG distributed \$36 million and \$32 million, respectively, to Sempra Infrastructure.



**IMG**  
In the nine months ended September 30, 2023, IMG distributed \$6 million to Sempra Infrastructure.

## NOTE 6. DEBT AND CREDIT FACILITIES

The principal terms of our debt arrangements are described below and in Note 7 of the Notes to Consolidated Financial Statements in the Annual Report.

### SHORT-TERM DEBT

#### *Committed Lines of Credit*

At September 30, 2023, Sempra had an aggregate capacity of \$9.9 billion under seven primary committed lines of credit, which provide liquidity and support commercial paper programs. Because our commercial paper programs are supported by some of these lines of credit, we reflect the amount of commercial paper outstanding, before reductions of any unamortized discounts, and any letters of credit outstanding as a reduction to the available unused credit capacity in the following table.

		September 30, 2023				
Borrower	Expiration date of facility	Total facility	Commercial paper outstanding	Amounts outstanding	Letters of credit outstanding	Available unused credit
Sempra	October 2028 <sup>(1)</sup>	\$ 4,000	\$ (970)	\$ —	\$ —	\$ 3,030
SDG&E	October 2028 <sup>(1)</sup>	1,500	—	—	—	1,500
SoCalGas	October 2028 <sup>(1)</sup>	1,200	(421)	—	—	779
SI Partners and IEnova	September 2025 <sup>(2)</sup>	500	—	(350)	—	150
SI Partners and IEnova	August 2026 <sup>(3)</sup>	1,000	—	—	—	1,000
SI Partners and IEnova	August 2028 <sup>(4)</sup>	1,500	—	(201)	—	1,299
Port Arthur LNG	March 2030	200	—	—	(25)	175
<b>Total</b>		<b>\$ 9,900</b>	<b>\$ (1,391)</b>	<b>\$ (551)</b>	<b>\$ (25)</b>	<b>\$ 7,933</b>

<sup>(1)</sup> In October 2023, Sempra, SDG&E and SoCalGas each amended their respective credit facility to extend the expiration date from October 2027 to October 2028. Each credit facility will maintain a syndicate of 23 lenders through October 2027, at which time the syndicate of lenders for each credit facility will be reduced to 22 unless a new or existing lender agrees to assume the 23<sup>rd</sup> lender's commitment. Such a reduction in lenders would result in a reduction to the available credit capacity to \$3,845, \$1,442 and \$1,153 for Sempra, SDG&E and SoCalGas, respectively, through October 2028.

<sup>(2)</sup> In September 2023, the \$150 facility was terminated and the \$350 facility was amended to increase the commitment to \$500, adjust the applicable margin to 80 bps (including credit adjustment spread), and extend the expiration date from September 2023 to September 2025.

<sup>(3)</sup> In August 2023, the facility was amended to include IEnova as a co-borrower, adjust the Term SOFR credit adjustment spread to 10 bps in all tenors, and extend the expiration date from November 2024 to August 2026. Additionally, either SI Partners or IEnova has the right to increase the total facility to \$1,500, subject to lender approval.

<sup>(4)</sup> In August 2023, the facility was amended to extend the expiration date from February 2024 to August 2028.

Sempra, SDG&E and SoCalGas each must maintain a ratio of indebtedness to total capitalization (as defined in each of the applicable credit facilities) of no more than 65% at the end of each quarter. At September 30, 2023, each entity was in compliance with this ratio under its respective credit facility.

SI Partners must maintain a ratio of consolidated adjusted net indebtedness to consolidated earnings before interest, taxes, depreciation and amortization (as defined in each of the applicable credit facilities) of no more than 5.25 to 1.00 at the end of each quarter. At September 30, 2023, SI Partners was in compliance with this ratio.

In March 2023, Port Arthur LNG entered into a seven-year initial working capital facility agreement with a syndicate of lenders expiring in March 2030. The credit facility permits borrowings of up to \$200 million, which bear interest by reference to Term SOFR, plus the applicable margin and a credit adjustment spread. The credit facility also provides for the issuance of up to \$200 million of letters of credit.

### Uncommitted Line of Credit

ECA LNG Phase 1 has an uncommitted line of credit, which is generally used for working capital requirements, with an aggregate capacity of \$200 million of which \$37 million was outstanding at September 30, 2023. The amounts outstanding are before reductions of any unamortized discounts. Borrowings can be in U.S. dollars or Mexican pesos. At September 30, 2023, outstanding amounts were borrowed in Mexican pesos and bear interest at a variable rate based on the 28-day Interbank Equilibrium Interest Rate plus 105 bps. In June 2023, the facility was amended to extend the expiration date to August 2024 and replace the London Interbank Offered Rate reference rate plus 105 bps with the SOFR reference rate plus 115 bps. As such, borrowings made in U.S. dollars bear interest at a variable rate based on the one-month or three-month SOFR plus 115 bps.

### Uncommitted Letters of Credit

Outside of our domestic and foreign credit facilities, we have bilateral unsecured standby letter of credit capacity with select lenders that is uncommitted and supported by reimbursement agreements. At September 30, 2023, we had \$508 million in standby letters of credit outstanding under these agreements.

#### UNCOMMITTED LETTERS OF CREDIT

(Dollars in millions)

	Expiration date range	September 30, 2023	
		Uncommitted letters of credit outstanding	
SDG&E	January 2024 - May 2024	\$	15
SoCalGas	March 2024 - November 2024		20
Sempra Infrastructure	October 2023 - October 2043		307
Parent and other	March 2024 - September 2024		166
Total		\$	508

### Term Loan

In July 2022, SoCalGas entered into an \$800 million, 364-day term loan agreement with a maturity date of July 6, 2023. In August 2022, SoCalGas borrowed \$800 million, net of negligible debt issuance costs, under the term loan agreement. The borrowing bore interest at benchmark rates plus 70 bps and was due in full upon maturity. SoCalGas used the proceeds for payment of a portion of the costs relating to litigation pertaining to the Leak. In the second quarter of 2023, SoCalGas repaid the term loan in full.

### Weighted-Average Interest Rates

The weighted-average interest rates on all short-term debt were as follows:

#### WEIGHTED-AVERAGE INTEREST RATES

	September 30, 2023	December 31, 2022
Sempra	5.86 %	5.57 %
SDG&E	—	4.76
SoCalGas	5.37	4.71

### LONG-TERM DEBT

#### SDG&E

In March 2023, SDG&E issued \$800 million aggregate principal amount of 5.35% first mortgage bonds due in full upon maturity on April 1, 2053 and received proceeds of \$783 million (net of debt discount, underwriting discounts and debt issuance costs of \$17 million). The first mortgage bonds are redeemable prior to maturity, subject to their terms, and in certain circumstances subject to make-whole provisions. SDG&E used the net proceeds for general corporate purposes, including repayment of commercial paper and other indebtedness.

In August 2023, SDG&E issued \$600 million aggregate principal amount of 4.95% green first mortgage bonds due in full upon maturity on August 15, 2028 and received proceeds of \$593 million (net of debt discount, underwriting discounts and debt issuance costs of \$7 million). The first mortgage bonds are redeemable prior to maturity, subject to their terms, and in certain circumstances subject to make-whole provisions. SDG&E intends to use the net proceeds to finance or refinance investments in eligible projects that fall into one or more of the following categories: climate change adaptation, clean energy solutions and clean transportation.

### ***SoCalGas***

In May 2023, SoCalGas issued \$500 million aggregate principal amount of 5.20% first mortgage bonds due in full upon maturity on June 1, 2033 and received proceeds of \$495 million (net of debt discount, underwriting discounts and debt issuance costs of \$5 million), and \$500 million aggregate principal amount of 5.75% first mortgage bonds due in full upon maturity on June 1, 2053 and received proceeds of \$493 million (net of debt discount, underwriting discounts and debt issuance costs of \$7 million). Each series of first mortgage bonds is redeemable prior to maturity, subject to its terms, and in certain circumstances subject to make-whole provisions. SoCalGas used the net proceeds to repay its \$300 million senior unsecured floating rate notes prior to their September 2023 scheduled maturity, a portion of its \$800 million term loan and other general corporate purposes.

### ***Sempra***

In June 2023, Sempra issued \$550 million aggregate principal amount of 5.40% senior unsecured notes due in full upon maturity on August 1, 2026 and received proceeds of \$545 million (net of debt discount, underwriting discounts and debt issuance costs of \$5 million), and \$700 million aggregate principal amount of 5.50% senior unsecured notes due in full upon maturity on August 1, 2033 and received proceeds of \$692 million (net of debt discount, underwriting discounts and debt issuance costs of \$8 million). Each series of notes is redeemable prior to maturity, subject to its terms, and in certain circumstances subject to make-whole provisions. We used the net proceeds for general corporate purposes, including repayment of commercial paper and other indebtedness.

### ***Sempra Infrastructure***

#### ***ECA LNG Phase 1***

ECA LNG Phase 1 has a five-year loan agreement with a syndicate of seven external lenders that matures in December 2025 for an aggregate principal amount of up to \$1.3 billion. IEnova and TotalEnergies SE have provided guarantees for repayment of the loans plus accrued and unpaid interest of 83.4% and 16.6%, respectively. At September 30, 2023 and December 31, 2022, \$782 million and \$575 million, respectively, of borrowings from external lenders were outstanding under the loan agreement, with a weighted-average interest rate of 8.35% and 7.54%, respectively.

#### ***Port Arthur LNG***

In March 2023, Port Arthur LNG entered into a term loan facility agreement with a syndicate of lenders for an aggregate principal amount of approximately \$6.8 billion. Proceeds from the loans will be used to finance the cost of construction of the PA LNG Phase 1 project. The loans mature on March 20, 2030 and bear interest by reference to Term SOFR, plus the applicable margin and a credit adjustment spread. The applicable margin prior to completion of the PA LNG Phase 1 project (which occurs upon the satisfaction or waiver of a series of customary operational, technical, environmental and social and other tests and conditions that generally would not be fully met until after the commercial operations date) is 2.00% and on completion and thereafter is 2.25%. The principal amounts outstanding on the loans must be repaid in quarterly installments, commencing on the earlier of (i) the first quarterly payment date occurring more than three calendar months following completion of the PA LNG Phase 1 project and (ii) April 20, 2029. Under the terms of the loan agreement, at least 60% of the projected outstanding balance is required to be hedged during construction and over the underlying 20-year notional amortization period. As we discuss in Note 7, Port Arthur LNG entered into hedging instruments in satisfaction of this requirement in March 2023. An upfront equity funding amount of \$4.7 billion is required to have been contributed to Port Arthur LNG for construction costs as a condition to the initial advance of term loans under the agreement (other than advances for fees, interest, expenses and certain other specified costs). Port Arthur LNG paid \$200 million in debt issuance costs at closing. Additionally, the loan agreement and the related working capital facility agreement that we discuss above require payment of commitment fees calculated at a rate per annum equal to 30% of the applicable margin for Term SOFR loans multiplied by the outstanding debt commitments, and additional administrative fees. At September 30, 2023, \$243 million of borrowings were outstanding under the loan agreement, with an all-in weighted-average interest rate of 5.71%.

In connection with this loan agreement, SI Partners and ConocoPhillips have collectively provided commitments for approximately \$2.8 billion in equity funding for the benefit of Port Arthur LNG for their respective affiliate's share of the equity funding of anticipated construction costs of the PA LNG Phase 1 project in excess of the upfront equity funding amount of \$4.7 billion. The amount of each commitment is based on each of SI Partners' and ConocoPhillips' proportionate indirect ownership interest in Port Arthur LNG of 70% and 30%, respectively, as of the March 2023 loan agreement. The obligation under these guarantees will be reduced as their respective affiliates fund their direct proportionate interest of capital calls. Such equity funding can be called upon by Port Arthur LNG to fund project costs or, upon the taking of an enforcement action under the terms of Port Arthur LNG's finance documents, to pay its senior debt obligations.

The *pari passu* secured obligations under the related finance documents are secured by a first priority lien (subject to customary permitted encumbrances) in substantially all of the assets of Port Arthur LNG, including the equity interests in, and real property interests of, Port Arthur LNG.

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## NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative instruments primarily to manage exposures arising in the normal course of business. Our principal exposures are commodity market risk, benchmark interest rate risk and foreign exchange rate exposures. Our use of derivatives for these risks is integrated into the economic management of our anticipated revenues, anticipated expenses, assets and liabilities. Derivatives may be effective in mitigating these risks (1) that could lead to declines in anticipated revenues or increases in anticipated expenses, or (2) that could cause our asset values to fall or our liabilities to increase. Accordingly, our derivative activity summarized below generally represents an impact that is intended to offset associated revenues, expenses, assets or liabilities that are not included in the tables below.

In certain cases, we apply the normal purchase or sale exception to derivative instruments and have other commodity contracts that are not derivatives. These contracts are not recorded at fair value and are therefore excluded from the disclosures below.

In all other cases, we record derivatives at fair value on the Condensed Consolidated Balance Sheets. We may have derivatives that are (1) cash flow hedges, (2) fair value hedges, or (3) undesignated. Depending on the applicability of hedge accounting and, for SDG&E and SoCalGas and other operations subject to regulatory accounting, the requirement to pass impacts through to customers, the impact of derivative instruments may be offset in OCI (cash flow hedges), on the balance sheet (regulatory offsets), or recognized in earnings (fair value hedges and undesignated derivatives not subject to rate recovery). We classify cash flows from the principal settlements of cross-currency swaps that hedge exposure related to Mexican peso-denominated debt and amounts related to terminations or early settlements of interest rate swaps as financing activities and settlements of other derivative instruments as operating activities on the Condensed Consolidated Statements of Cash Flows.

### HEDGE ACCOUNTING

We may designate a derivative as a cash flow hedging instrument if it effectively converts anticipated cash flows associated with revenues or expenses to a fixed dollar amount. We may utilize cash flow hedge accounting for derivative commodity instruments, foreign currency instruments and interest rate instruments. Designating cash flow hedges is dependent on the business context in which the instrument is being used, the effectiveness of the instrument in offsetting the risk of variability of future cash flows of a given revenue or expense item, and other criteria.

### ENERGY DERIVATIVES

Our market risk is primarily related to natural gas and electricity price volatility and the specific physical locations where we transact. We use energy derivatives to manage these risks. The use of energy derivatives in our various businesses depends on the particular energy market, and the operating and regulatory environments applicable to the business, as follows:

- SDG&E and SoCalGas use natural gas derivatives and SDG&E uses electricity derivatives, for the benefit of customers, with the objective of managing price risk and basis risk, and stabilizing and lowering natural gas and electricity costs. These derivatives include fixed-price natural gas and electricity positions, options, and basis risk instruments, which are either exchange-traded or over-the-counter financial instruments, or bilateral physical transactions. This activity is governed by risk management and transacting activity plans limited by company policy. SDG&E's risk management and transacting activity plans for electricity derivatives are also required to be filed with, and have been approved by, the CPUC. SoCalGas is also subject to certain regulatory requirements and thresholds related to natural gas procurement under the GCIM. Natural gas and electricity derivative activities are recorded as commodity costs that are offset by regulatory account balances and are recovered

in rates. Net commodity cost impacts on the Condensed Consolidated Statements of Operations are reflected in Cost of Natural Gas or in Cost of Electric Fuel and Purchased Power.

- SDG&E is allocated and may purchase CRRs, which serve to reduce the regional electricity price volatility risk that may result from local transmission capacity constraints. Unrealized gains and losses do not impact earnings, as they are offset by regulatory account balances. Realized gains and losses associated with CRRs, which are recoverable in rates, are recorded in Cost of Electric Fuel and Purchased Power on the Condensed Consolidated Statements of Operations.
- Sempra Infrastructure may use natural gas and electricity derivatives, as appropriate, in an effort to optimize the earnings of its assets which support the following businesses: LNG, natural gas pipelines and storage, and power generation. Gains and losses associated with undesignated derivatives are recognized in Energy-Related Businesses Revenues on the Condensed Consolidated Statements of Operations.
- From time to time, our various businesses, including SDG&E and SoCalGas, may use other derivatives to hedge exposures such as GHG allowances.

The following table summarizes net energy derivative volumes.

<b>NET ENERGY DERIVATIVE VOLUMES</b>			
<i>(Quantities in millions)</i>			
Commodity	Unit of measure	September 30, 2023	December 31, 2022
<b>Sempra:</b>			
Natural gas	MMBtu	441	254
Electricity	MWh	—	1
Congestion revenue rights	MWh	40	42
<b>SDG&amp;E:</b>			
Natural gas	MMBtu	16	15
Congestion revenue rights	MWh	40	42
<b>SoCalGas:</b>			
Natural gas	MMBtu	347	224

## INTEREST RATE DERIVATIVES

We are exposed to interest rates primarily as a result of our current and expected use of financing. SDG&E and SoCalGas, as well as Sempra and its other subsidiaries and JVs, periodically enter into interest rate derivative agreements intended to moderate our exposure to interest rates and to lower our overall costs of borrowing. In addition, we may utilize interest rate swaps, typically designated as cash flow hedges, to lock in interest rates on outstanding debt or in anticipation of future financings.

In December 2022, Sempra Infrastructure entered into an undesignated contingent interest rate swap to lock in interest rates on up to \$3.5 billion of the variable rate indebtedness from anticipated future project-level debt financing that would be used to pay for construction costs of the PA LNG Phase 1 project. The contingent interest rate swap had a 25-year tenor, and its settlement was conditional upon the closing of project-level debt financing with respect to the PA LNG Phase 1 project. In March 2023, we closed on the project-level debt financing and, shortly thereafter, paid \$14 million to cash settle the contingent interest rate swap.

As we discuss in Note 6, a minimum of 60% of the projected amount of term loans outstanding is required to be hedged under the Port Arthur LNG term loan facility agreement. In March 2023, Port Arthur LNG entered into floating-to-fixed interest rate swaps with 17 counterparties to hedge the variability in cash flows related to the SOFR-based component of interest payments on forecasted loans outstanding under the agreement. The notional amounts of the interest rate swaps generally increase in proportion to the forecasted borrowings up to a maximum amount of \$4.2 billion prior to the maturity of the term loans on March 20, 2030. Under the interest rate swaps, which are designated as cash flow hedges, Port Arthur LNG receives interest at Term SOFR and pays interest at a fixed rate of 3.23% based on amortizing notional amounts maturing in 2048.

The following table presents the net notional amounts of our interest rate derivatives, excluding those in our equity method investments and the contingent interest rate swap.

**INTEREST RATE DERIVATIVES**
*(Dollars in millions)*

	September 30, 2023		December 31, 2022	
	Notional debt	Maturities	Notional debt	Maturities
<b>Sempra:</b>				
Cash flow hedges <sup>(1)</sup>	\$ 4,454	2023-2048	\$ 294	2023-2034

<sup>(1)</sup> At September 30, 2023 and December 31, 2022, cash flow hedges accrued interest based on a notional of \$491 and \$294, respectively.

**FOREIGN CURRENCY DERIVATIVES**

We may utilize cross-currency swaps to hedge exposure related to Mexican peso-denominated debt at our Mexican subsidiaries and JVs. These cash flow hedges exchange our Mexican peso-denominated principal and interest payments into the U.S. dollar and swap Mexican fixed interest rates for U.S. fixed interest rates. From time to time, Sempra Infrastructure and its JVs may use other foreign currency derivatives to hedge exposures related to cash flows associated with revenues from contracts denominated in Mexican pesos that are indexed to the U.S. dollar.

We are also exposed to exchange rate movements at our Mexican subsidiaries and JVs, which have U.S. dollar-denominated cash balances, receivables, payables and debt (monetary assets and liabilities) that give rise to Mexican currency exchange rate movements for Mexican income tax purposes. They also have deferred income tax assets and liabilities denominated in the Mexican peso, which must be translated to U.S. dollars for financial reporting purposes. In addition, monetary assets and liabilities and certain nonmonetary assets and liabilities are adjusted for Mexican inflation for Mexican income tax purposes. We may utilize foreign currency derivatives as a means to manage the risk of exposure to significant fluctuations in our income tax expense and equity earnings from these impacts; however, we generally do not hedge our deferred income tax assets and liabilities or for inflation.

The following table presents the net notional amounts of our foreign currency derivatives, excluding those in our equity method investments.

**FOREIGN CURRENCY DERIVATIVES**
*(Dollars in millions)*

	September 30, 2023		December 31, 2022	
	Notional amount	Maturities	Notional amount	Maturities
<b>Sempra:</b>				
Cross-currency swaps	\$ —	—	\$ 306	2023
Other foreign currency derivatives	150	2023-2025	111	2023-2024

## FINANCIAL STATEMENT PRESENTATION

The Condensed Consolidated Balance Sheets reflect the offsetting of net derivative positions and cash collateral with the same counterparty when a legal right of offset exists. The following tables provide the fair values of derivative instruments on the Condensed Consolidated Balance Sheets, including the amount of cash collateral receivables that were not offset because the cash collateral was in excess of liability positions.

### DERIVATIVE INSTRUMENTS ON THE CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	September 30, 2023			
	Current assets: Fixed-price contracts and other derivatives <sup>(1)</sup>	Other long-term assets	Other current liabilities	Deferred credits and other
<b>Sempra:</b>				
Derivatives designated as hedging instruments:				
Interest rate instruments	\$ 15	\$ 363	\$ —	\$ —
Foreign exchange instruments	—	1	(8)	—
Derivatives not designated as hedging instruments:				
Commodity contracts not subject to rate recovery	175	25	(172)	(29)
Associated offsetting commodity contracts	(166)	(22)	166	22
Commodity contracts subject to rate recovery	22	15	(171)	(6)
Associated offsetting commodity contracts	(16)	(3)	16	3
Associated offsetting cash collateral	—	—	—	1
Net amounts presented on the balance sheet	30	379	(169)	(9)
Additional cash collateral for commodity contracts not subject to rate recovery	89	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	82	—	—	—
Total <sup>(2)</sup>	\$ 201	\$ 379	\$ (169)	\$ (9)
<b>SDG&amp;E:</b>				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 18	\$ 15	\$ (13)	\$ (4)
Associated offsetting commodity contracts	(12)	(3)	12	3
Associated offsetting cash collateral	—	—	—	1
Net amounts presented on the balance sheet	6	12	(1)	—
Additional cash collateral for commodity contracts subject to rate recovery	80	—	—	—
Total <sup>(2)</sup>	\$ 86	\$ 12	\$ (1)	\$ —
<b>SoCalGas:</b>				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 4	\$ —	\$ (158)	\$ (2)
Associated offsetting commodity contracts	(4)	—	4	—
Net amounts presented on the balance sheet	—	—	(154)	(2)
Additional cash collateral for commodity contracts subject to rate recovery	2	—	—	—
Total	\$ 2	\$ —	\$ (154)	\$ (2)

<sup>(1)</sup> Included in Other Current Assets for SoCalGas.

<sup>(2)</sup> Normal purchase contracts previously measured at fair value are excluded.

**DERIVATIVE INSTRUMENTS ON THE CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**
*(Dollars in millions)*

	December 31, 2022			
	Current assets: Fixed-price contracts and other derivatives <sup>(1)</sup>	Other long-term assets	Other current liabilities	Deferred credits and other
<b>Sempra:</b>				
Derivatives designated as hedging instruments:				
Interest rate instruments	\$ 10	\$ 33	\$ —	\$ —
Foreign exchange instruments	—	—	(7)	(1)
Interest rate and foreign exchange instruments	—	—	(105)	—
Derivatives not designated as hedging instruments:				
Commodity contracts not subject to rate recovery	480	133	(399)	(132)
Associated offsetting commodity contracts	(301)	(39)	301	39
Commodity contracts subject to rate recovery	138	27	(97)	(2)
Associated offsetting commodity contracts	(27)	(2)	27	2
Interest rate instrument	33	—	—	—
Net amounts presented on the balance sheet	333	152	(280)	(94)
Additional cash collateral for commodity contracts not subject to rate recovery	451	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	18	—	—	—
Total <sup>(2)</sup>	\$ 802	\$ 152	\$ (280)	\$ (94)
<b>SDG&amp;E:</b>				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 107	\$ 27	\$ (13)	\$ (2)
Associated offsetting commodity contracts	(12)	(2)	12	2
Net amounts presented on the balance sheet	95	25	(1)	—
Additional cash collateral for commodity contracts subject to rate recovery	17	—	—	—
Total <sup>(2)</sup>	\$ 112	\$ 25	\$ (1)	\$ —
<b>SoCalGas:</b>				
Derivatives not designated as hedging instruments:				
Commodity contracts subject to rate recovery	\$ 31	\$ —	\$ (84)	\$ —
Associated offsetting commodity contracts	(15)	—	15	—
Net amounts presented on the balance sheet	16	—	(69)	—
Additional cash collateral for commodity contracts subject to rate recovery	1	—	—	—
Total	\$ 17	\$ —	\$ (69)	\$ —

<sup>(1)</sup> Included in Other Current Assets for SoCalGas.

<sup>(2)</sup> Normal purchase contracts previously measured at fair value are excluded.



The following table includes the effects of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statements of Operations and in OCI and AOCI.

<b>CASH FLOW HEDGE IMPACTS</b>							
<i>(Dollars in millions)</i>							
	Pretax gain (loss) recognized in OCI				Pretax gain (loss) reclassified from AOCI into earnings		
	Three months ended September 30,		Location	Three months ended September 30,			
	2023	2022		2023	2022		
<b>Sempra:</b>							
Interest rate instruments	\$	320	\$	4	Interest Expense	\$ (1) \$ (2)	
Interest rate instruments		32		68	Equity Earnings <sup>(1)</sup>	12 (1)	
Foreign exchange instruments		8		2	Revenues: Energy-Related Businesses	— —	
Foreign exchange instruments		7		1	Other Income (Expense), Net	1 —	
Interest rate and foreign exchange instruments		—		—	Equity Earnings <sup>(1)</sup>	1 —	
Total	\$	367	\$	75	Other Income (Expense), Net	— (3)	
						\$ 13 \$ (6)	
<b>Sempra:</b>							
	Nine months ended September 30,				Nine months ended September 30,		
	2023		2022		Location	2023	
	2023	2022	2023	2022			
Interest rate instruments	\$	337	\$	39	Interest Expense	\$ (1) \$ (1)	
Interest rate instruments		56		212	Equity Earnings <sup>(1)</sup>	33 (28)	
Foreign exchange instruments		—		(1)	Revenues: Energy-Related Businesses	— 2	
Foreign exchange instruments		1		(1)	Other Income (Expense), Net	(1) (1)	
Interest rate and foreign exchange instruments		7		13	Equity Earnings <sup>(1)</sup>	(1) 1	
Total	\$	401	\$	262	Interest Expense	1 1	
					Other Income (Expense), Net	6 3	
						\$ 37 \$ (23)	
<b>SoCalGas:</b>							
Interest rate instruments	\$	—	\$	—	Interest Expense	\$ (1) \$ (1)	

<sup>(1)</sup> Equity earnings at our foreign equity method investees are recognized after tax.

For Sempra, we expect that net gains before NCI of \$48 million, which are net of income tax expense, that are currently recorded in AOCI (with net gains of \$22 million attributable to NCI) related to cash flow hedges will be reclassified into earnings during the next 12 months as the hedged items affect earnings. SoCalGas expects that \$1 million of losses, net of income tax benefit, that are currently recorded in AOCI related to cash flow hedges will be reclassified into earnings during the next 12 months as the hedged items affect earnings. Actual amounts ultimately reclassified into earnings depend on the interest rates in effect when derivative contracts mature.

For all forecasted transactions, the maximum remaining term over which we are hedging exposure to the variability of cash flows at September 30, 2023 is approximately 24 years for Sempra. The maximum remaining term for which we are hedging exposure to the variability of cash flows at our equity method investees is 16 years.

The following table summarizes the effects of derivative instruments not designated as hedging instruments on the Condensed Consolidated Statements of Operations.

### UNDESIGNATED DERIVATIVE IMPACTS

(Dollars in millions)

	Location	Pretax gain (loss) on derivatives recognized in earnings			
		Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>Sempra:</b>					
Commodity contracts not subject to rate recovery	Revenues: Energy-Related Businesses	\$ 83	\$ (227)	\$ 785	\$ (455)
Commodity contracts subject to rate recovery	Cost of Natural Gas	(125)	(11)	(172)	(15)
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	23	16	5	10
Interest rate instrument	Interest Expense	—	—	(47)	—
<b>Total</b>		<b>\$ (19)</b>	<b>\$ (222)</b>	<b>\$ 571</b>	<b>\$ (460)</b>
<b>SDG&amp;E:</b>					
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	\$ 23	\$ 16	\$ 5	\$ 10
<b>SoCalGas:</b>					
Commodity contracts subject to rate recovery	Cost of Natural Gas	\$ (125)	\$ (11)	\$ (172)	\$ (15)

### CREDIT RISK RELATED CONTINGENT FEATURES

For Sempra, SDG&E and SoCalGas, certain of our derivative instruments contain credit limits which vary depending on our credit ratings. Generally, these provisions, if applicable, may reduce our credit limit if a specified credit rating agency reduces our ratings. In certain cases, if our credit ratings were to fall below investment grade, the counterparty to these derivative liability instruments could request immediate payment or demand immediate and ongoing full collateralization.

For Sempra, the total fair value of this group of derivative instruments in a liability position at September 30, 2023 and December 31, 2022 was \$160 million and \$106 million, respectively. For SoCalGas, the total fair value of this group of derivative instruments in a liability position at September 30, 2023 and December 31, 2022 was \$157 million and \$69 million, respectively. SDG&E did not have this group of derivative instruments in a liability position at September 30, 2023 or December 31, 2022. At September 30, 2023, if the credit ratings of Sempra or SoCalGas were reduced below investment grade, \$160 million and \$157 million, respectively, of additional assets could be required to be posted as collateral for these derivative contracts.

For Sempra, SDG&E and SoCalGas, some of our derivative contracts contain a provision that would permit the counterparty, in certain circumstances, to request adequate assurance of our performance under the contracts. Such additional assurance, if needed, is not material and is not included in the amounts above.

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## NOTE 8. FAIR VALUE MEASUREMENTS

We discuss the valuation techniques and inputs we use to measure fair value and the definition of the three levels of the fair value hierarchy in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

### RECURRING FAIR VALUE MEASURES

The three tables below, by level within the fair value hierarchy, set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis at September 30, 2023 and December 31, 2022. We classify financial assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair-valued assets and liabilities and their placement within the fair value hierarchy. We have not changed the valuation techniques or types of inputs we use to measure recurring fair value since December 31, 2022.

The fair value of commodity derivative assets and liabilities is presented in accordance with our netting policy, as we discuss in Note 7 under “Financial Statement Presentation.”

The determination of fair values, shown in the tables below, incorporates various factors, including but not limited to, the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests).

Our financial assets and liabilities that were accounted for at fair value on a recurring basis in the tables below include the following:

- Nuclear decommissioning trusts reflect the assets of SDG&E’s NDT, excluding accounts receivable and accounts payable. A third-party trustee values the trust assets using prices from a pricing service based on a market approach. We validate these prices by comparison to prices from other independent data sources. Securities are valued using quoted prices listed on nationally recognized securities exchanges or based on closing prices reported in the active market in which the identical security is traded (Level 1). Other securities are valued based on yields that are currently available for comparable securities of issuers with similar credit ratings (Level 2).
- For commodity contracts, interest rate instruments and foreign exchange instruments, we primarily use a market or income approach with market participant assumptions to value these derivatives. Market participant assumptions include those about risk, and the risk inherent in the inputs to the valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable. We have exchange-traded derivatives that are valued based on quoted prices in active markets for the identical instruments (Level 1). We also may have other commodity derivatives that are valued using industry standard models that consider quoted forward prices for commodities, time value, current market and contractual prices for the underlying instruments, volatility factors, and other relevant economic measures (Level 2). Level 3 recurring items relate to CRRs and long-term, fixed-price electricity positions at SDG&E, as we discuss below in “Level 3 Information – SDG&E.”
- Rabbi Trust investments include short-term investments that consist of money market and mutual funds that we value using a market approach based on closing prices reported in the active market in which the identical security is traded (Level 1).
- As we discuss in Note 5, in July 2020, Sempra entered into a Support Agreement for the benefit of CFIN. We measure the Support Agreement, which includes a guarantee obligation, a put option and a call option, net of related guarantee fees, at fair value on a recurring basis. We use a discounted cash flow model to value the Support Agreement, net of related guarantee fees. Because some of the inputs that are significant to the valuation are less observable, the Support Agreement is classified as Level 3, as we describe below in “Level 3 Information – Sempra Infrastructure.”

**RECURRING FAIR VALUE MEASURES – SEMPRA**
*(Dollars in millions)*

	Level 1	Level 2	Level 3	Total
	Fair value at September 30, 2023			
<b>Assets:</b>				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	\$ 21	\$ 3	\$ —	\$ 24
Equity securities	291	4	—	295
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	27	16	—	43
Municipal bonds	—	260	—	260
Other securities	—	216	—	216
Total debt securities	27	492	—	519
Total nuclear decommissioning trusts <sup>(1)</sup>	339	499	—	838
Short-term investments held in Rabbi Trust	62	—	—	62
Interest rate instruments	—	378	—	378
Foreign exchange instruments	—	1	—	1
Commodity contracts not subject to rate recovery	—	12	—	12
Effect of netting and allocation of collateral <sup>(2)</sup>	89	—	—	89
Commodity contracts subject to rate recovery	—	—	18	18
Effect of netting and allocation of collateral <sup>(2)</sup>	76	—	6	82
Support Agreement, net of related guarantee fees	—	—	18	18
<b>Total</b>	<b>\$ 566</b>	<b>\$ 890</b>	<b>\$ 42</b>	<b>\$ 1,498</b>
<b>Liabilities:</b>				
Foreign exchange instruments	\$ —	\$ 8	\$ —	\$ 8
Commodity contracts not subject to rate recovery	—	13	—	13
Commodity contracts subject to rate recovery	2	156	—	158
Effect of netting and allocation of collateral <sup>(2)</sup>	(1)	—	—	(1)
<b>Total</b>	<b>\$ 1</b>	<b>\$ 177</b>	<b>\$ —</b>	<b>\$ 178</b>

<sup>(1)</sup> Excludes receivables (payables), net.

<sup>(2)</sup> Includes the effect of the contractual ability to settle contracts under master netting agreements and with cash collateral, as well as cash collateral not offset.

**RECURRING FAIR VALUE MEASURES – SEMPRO (CONTINUED)**
*(Dollars in millions)*

	Level 1	Level 2	Level 3	Total
	Fair value at December 31, 2022			
<b>Assets:</b>				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	\$ 10	\$ 1	\$ —	\$ 11
Equity securities	293	4	—	297
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	27	13	—	40
Municipal bonds	—	270	—	270
Other securities	—	227	—	227
Total debt securities	27	510	—	537
Total nuclear decommissioning trusts <sup>(1)</sup>	330	515	—	845
Short-term investments held in Rabbi Trust	55	—	—	55
Interest rate instruments	—	76	—	76
Commodity contracts not subject to rate recovery	—	273	—	273
Effect of netting and allocation of collateral <sup>(2)</sup>	451	—	—	451
Commodity contracts subject to rate recovery	82	19	35	136
Effect of netting and allocation of collateral <sup>(2)</sup>	12	—	6	18
Support Agreement, net of related guarantee fees	—	—	17	17
<b>Total</b>	<b>\$ 930</b>	<b>\$ 883</b>	<b>\$ 58</b>	<b>\$ 1,871</b>
<b>Liabilities:</b>				
Foreign exchange instruments	\$ —	\$ 8	\$ —	\$ 8
Interest rate and foreign exchange instruments	—	105	—	105
Commodity contracts not subject to rate recovery	—	191	—	191
Commodity contracts subject to rate recovery	—	70	—	70
<b>Total</b>	<b>\$ —</b>	<b>\$ 374</b>	<b>\$ —</b>	<b>\$ 374</b>

<sup>1)</sup> Excludes receivables (payables), net.

<sup>(2)</sup> Includes the effect of the contractual ability to settle contracts under master netting agreements and with cash collateral, as well as cash collateral not offset.

**RECURRING FAIR VALUE MEASURES – SDG&E**
*(Dollars in millions)*

	Level 1	Level 2	Level 3	Total
Fair value at September 30, 2023				
<b>Assets:</b>				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	\$ 21	\$ 3	\$ —	\$ 24
Equity securities	291	4	—	295
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	27	16	—	43
Municipal bonds	—	260	—	260
Other securities	—	216	—	216
Total debt securities	27	492	—	519
Total nuclear decommissioning trusts <sup>(1)</sup>	339	499	—	838
Commodity contracts subject to rate recovery	—	—	18	18
Effect of netting and allocation of collateral <sup>(2)</sup>	74	—	6	80
<b>Total</b>	<b>\$ 413</b>	<b>\$ 499</b>	<b>\$ 24</b>	<b>\$ 936</b>
<b>Liabilities:</b>				
Commodity contracts subject to rate recovery	\$ 2	\$ —	\$ —	\$ 2
Effect of netting and allocation of collateral <sup>(2)</sup>	(1)	—	—	(1)
<b>Total</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1</b>

Fair value at December 31, 2022

<b>Assets:</b>				
Nuclear decommissioning trusts:				
Short-term investments, primarily cash equivalents	\$ 10	\$ 1	\$ —	\$ 11
Equity securities	293	4	—	297
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	27	13	—	40
Municipal bonds	—	270	—	270
Other securities	—	227	—	227
Total debt securities	27	510	—	537
Total nuclear decommissioning trusts <sup>(1)</sup>	330	515	—	845
Commodity contracts subject to rate recovery	82	3	35	120
Effect of netting and allocation of collateral <sup>(2)</sup>	11	—	6	17
<b>Total</b>	<b>\$ 423</b>	<b>\$ 518</b>	<b>\$ 41</b>	<b>\$ 982</b>
<b>Liabilities:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ 1	\$ —	\$ 1
<b>Total</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 1</b>

<sup>(1)</sup> Excludes receivables (payables), net.

<sup>(2)</sup> Includes the effect of the contractual ability to settle contracts under master netting agreements and with cash collateral, as well as cash collateral not offset.

**RECURRING FAIR VALUE MEASURES – SOCIALGAS**
*(Dollars in millions)*

	Level 1	Level 2	Level 3	Total
Fair value at September 30, 2023				
<b>Assets:</b>				
Effect of netting and allocation of collateral <sup>(1)</sup>	\$ 2	\$ —	\$ —	\$ 2
<b>Total</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2</b>
<b>Liabilities:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ 156	\$ —	\$ 156
<b>Total</b>	<b>\$ —</b>	<b>\$ 156</b>	<b>\$ —</b>	<b>\$ 156</b>
Fair value at December 31, 2022				
<b>Assets:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ 16	\$ —	\$ 16
Effect of netting and allocation of collateral <sup>(1)</sup>	1	—	—	1
<b>Total</b>	<b>\$ 1</b>	<b>\$ 16</b>	<b>\$ —</b>	<b>\$ 17</b>
<b>Liabilities:</b>				
Commodity contracts subject to rate recovery	\$ —	\$ 69	\$ —	\$ 69
<b>Total</b>	<b>\$ —</b>	<b>\$ 69</b>	<b>\$ —</b>	<b>\$ 69</b>

<sup>(1)</sup> Includes the effect of the contractual ability to settle contracts under master netting agreements and with cash collateral, as well as cash collateral not offset.

**Level 3 Information**
**SDG&E**

The table below sets forth reconciliations of changes in the fair value of CRRs and long-term, fixed-price electricity positions classified as Level 3 in the fair value hierarchy for Sempra and SDG&E.

**LEVEL 3 RECONCILIATIONS<sup>(1)</sup>**
*(Dollars in millions)*

	Three months ended September 30,	
	2023	2022
Balance at July 1	\$ 20	\$ 33
Realized and unrealized losses	(2)	(35)
Allocated transmission instruments	1	2
Settlements	(1)	33
Balance at September 30	\$ 18	\$ 33
Change in unrealized gains relating to instruments still held at September 30	\$ 1	\$ 3
	Nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 35	\$ 54
Realized and unrealized losses	(10)	(58)
Allocated transmission instruments	(1)	(4)
Settlements	(6)	41
Balance at September 30	\$ 18	\$ 33
Change in unrealized losses relating to instruments still held at September 30	\$ (8)	\$ (15)

<sup>(1)</sup> Excludes the effect of the contractual ability to settle contracts under master netting agreements.

Inputs used to determine the fair value of CRRs and fixed-price electricity positions are reviewed and compared with market conditions to determine reasonableness.

CRRs are recorded at fair value based almost entirely on the most current auction prices published by the California ISO, an objective source. Annual auction prices are published once a year, typically in the middle of November, and are the basis for valuing CRRs settling in the following year. For the CRRs settling from January 1 to December 31, the auction price inputs, at a given location, were in the following ranges for the years indicated below:

CONGESTION REVENUE RIGHTS AUCTION PRICE INPUTS					
Settlement year	Price per MWh			Median price per MWh	
2023	\$	(3.09)	to	\$	10.71
2022		(3.67)	to		6.96
				\$	(0.56)
					(0.70)

The impact associated with discounting is not significant. Because these auction prices are a less observable input, these instruments are classified as Level 3. The fair value of these instruments is derived from auction price differences between two locations. Positive values between two locations represent expected future reductions in congestion costs, whereas negative values between two locations represent expected future charges. Valuation of our CRRs is sensitive to a change in auction price. If auction prices at one location increase (decrease) relative to another location, this could result in a significantly higher (lower) fair value measurement. We summarize CRR volumes in Note 7.

Long-term, fixed-price electricity positions in 2022 that were valued using significant unobservable data were classified as Level 3 because the contract terms related to a delivery location or tenor for which observable market rate information was not available. The fair value of the net electricity positions classified as Level 3 was derived from a discounted cash flow model using market electricity forward price inputs. The range and weighted-average price of these inputs at September 30, 2022 were \$26.75 to \$127.20 and \$68.50, respectively. We summarize long-term, fixed-price electricity position volumes in Note 7.

Realized gains and losses associated with CRRs and long-term, fixed-price electricity positions, which are recoverable in rates, are recorded in Cost of Electric Fuel and Purchased Power on the Condensed Consolidated Statements of Operations. Because unrealized gains and losses are recorded as regulatory assets and liabilities, they do not affect earnings.

### Sempra Infrastructure

The table below sets forth reconciliations of changes in the fair value of Sempra's Support Agreement for the benefit of CFIN classified as Level 3 in the fair value hierarchy for Sempra.

LEVEL 3 RECONCILIATIONS				
<i>(Dollars in millions)</i>				
	Three months ended September 30,			
	2023		2022	
Balance at July 1	\$	23	\$	16
Realized and unrealized (losses) gains <sup>(1)</sup>		(3)		2
Settlements		(2)		(2)
Balance at September 30 <sup>(2)</sup>	\$	18	\$	16
Change in unrealized (losses) gains relating to instruments still held at September 30	\$	(2)	\$	2
	Nine months ended September 30,			
	2023		2022	
Balance at January 1	\$	17	\$	7
Realized and unrealized gains <sup>(1)</sup>		7		16
Settlements		(6)		(7)
Balance at September 30 <sup>(2)</sup>	\$	18	\$	16
Change in unrealized gains relating to instruments still held at September 30	\$	7	\$	15

<sup>(1)</sup> Net gains are included in Interest Income and net losses are included in Interest Expense on Sempra's Condensed Consolidated Statements of Operations.

<sup>(2)</sup> Includes \$7 in Other Current Assets and \$11 in Other Long-term Assets at September 30, 2023 on Sempra's Condensed Consolidated Balance Sheet.



The fair value of the Support Agreement, net of related guarantee fees, is based on a discounted cash flow model using a probability of default and survival methodology. Our estimate of fair value considers inputs such as third-party default rates, credit ratings, recovery rates, and risk-adjusted discount rates, which may be readily observable, market corroborated or generally unobservable inputs. Because CFIN's credit rating and related default and survival rates are unobservable inputs that are significant to the valuation, the Support Agreement, net of related guarantee fees, is classified as Level 3. We assigned CFIN an internally developed credit rating of A3 and relied on default rate data published by Moody's to assign a probability of default. A hypothetical change in the credit rating up or down one notch could result in a significant change in the fair value of the Support Agreement.

### Fair Value of Financial Instruments

The fair values of certain of our financial instruments (cash, accounts receivable, amounts due to/from unconsolidated affiliates with original maturities of less than 90 days, dividends and accounts payable, short-term debt and customer deposits) approximate their carrying amounts because of the short-term nature of these instruments. Investments in life insurance contracts that we hold in support of our Supplemental Executive Retirement, Cash Balance Restoration and Deferred Compensation Plans are carried at cash surrender values, which represent the amount of cash that could be realized under the contracts. The following table provides the carrying amounts and fair values of certain other financial instruments that are not recorded at fair value on the Condensed Consolidated Balance Sheets.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

(Dollars in millions)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
September 30, 2023					
<b>Sempra:</b>					
Long-term note receivable <sup>(1)</sup>	\$ 330	\$ —	\$ —	\$ 295	\$ 295
Long-term amounts due to unconsolidated affiliates	308	—	269	—	269
Total long-term debt <sup>(2)</sup>	27,657	—	23,765	—	23,765
<b>SDG&amp;E:</b>					
Total long-term debt <sup>(3)</sup>	\$ 8,750	\$ —	\$ 7,202	\$ —	\$ 7,202
<b>SoCalGas:</b>					
Total long-term debt <sup>(4)</sup>	\$ 6,759	\$ —	\$ 5,953	\$ —	\$ 5,953
December 31, 2022					
<b>Sempra:</b>					
Long-term note receivable <sup>(1)</sup>	\$ 318	\$ —	\$ —	\$ 286	\$ 286
Long-term amounts due to unconsolidated affiliates	301	—	263	—	263
Total long-term debt <sup>(2)</sup>	24,513	—	21,549	—	21,549
<b>SDG&amp;E:</b>					
Total long-term debt <sup>(3)</sup>	\$ 7,800	\$ —	\$ 6,726	\$ —	\$ 6,726
<b>SoCalGas:</b>					
Total long-term debt <sup>(4)</sup>	\$ 6,059	\$ —	\$ 5,538	\$ —	\$ 5,538

<sup>(1)</sup> Before allowances for credit losses of \$6 and \$7 at September 30, 2023 and December 31, 2022, respectively. Excludes unamortized transaction costs of \$4 and \$5 at September 30, 2023 and December 31, 2022, respectively.

<sup>(2)</sup> Before reductions of unamortized discount and debt issuance costs of \$326 and \$289 at September 30, 2023 and December 31, 2022, respectively, and excluding finance lease obligations of \$1,346 and \$1,343 at September 30, 2023 and December 31, 2022, respectively.

<sup>(3)</sup> Before reductions of unamortized discount and debt issuance costs of \$90 and \$70 at September 30, 2023 and December 31, 2022, respectively, and excluding finance lease obligations of \$1,234 and \$1,256 at September 30, 2023 and December 31, 2022, respectively.

<sup>(4)</sup> Before reductions of unamortized discount and debt issuance costs of \$57 and \$48 at September 30, 2023 and December 31, 2022, respectively, and excluding finance lease obligations of \$112 and \$87 at September 30, 2023 and December 31, 2022, respectively.

We provide the fair values for the securities held in the NDT related to SONGS in Note 9.

## NOTE 9. SAN ONOFRE NUCLEAR GENERATING STATION

We provide below updates to ongoing matters related to SONGS, a nuclear generating facility near San Clemente, California that permanently ceased operations in June 2013, and in which SDG&E has a 20% ownership interest. We discuss SONGS further in Note 15 of the Notes to Consolidated Financial Statements in the Annual Report.

### **NUCLEAR DECOMMISSIONING AND FUNDING**

As a result of Edison's decision to permanently retire SONGS Units 2 and 3, Edison began the decommissioning phase of the plant. Major decommissioning work began in 2020. We expect the majority of the decommissioning work to be completed around 2030. Decommissioning of Unit 1, removed from service in 1992, is largely complete. The remaining work for Unit 1 will be completed once Units 2 and 3 are dismantled and the spent fuel is removed from the site. The spent fuel is currently being stored on-site, until the DOE identifies a spent fuel storage facility and puts in place a program for the fuel's disposal. SDG&E is responsible for approximately 20% of the total decommissioning cost.

In accordance with state and federal requirements and regulations, SDG&E has assets held in the NDT to fund its share of decommissioning costs for SONGS Units 1, 2 and 3. Amounts that were collected in rates for SONGS' decommissioning are invested in the NDT, which is comprised of externally managed trust funds. Amounts held by the NDT are invested in accordance with CPUC regulations. SDG&E classifies debt and equity securities held in the NDT as available-for-sale. The NDT assets are presented on the Sempra and SDG&E Condensed Consolidated Balance Sheets at fair value with the offsetting credits recorded in noncurrent Regulatory Liabilities.

Except for the use of funds for the planning of decommissioning activities or NDT administrative costs, CPUC approval is required for SDG&E to access the NDT assets to fund SONGS decommissioning costs for Units 2 and 3. In December 2022, the CPUC granted SDG&E authorization to access NDT funds of up to \$81 million for forecasted 2023 costs.

The following table shows the fair values and gross unrealized gains and losses for the securities held in the NDT on the Sempra and SDG&E Condensed Consolidated Balance Sheets. We provide additional fair value disclosures for the NDT in Note 8.

## NUCLEAR DECOMMISSIONING TRUSTS

(Dollars in millions)

	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
September 30, 2023				
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies <sup>(1)</sup>	\$ 44	\$ 1	\$ (2)	\$ 43
Municipal bonds <sup>(2)</sup>	278	—	(18)	260
Other securities <sup>(3)</sup>	234	1	(19)	216
<b>Total debt securities</b>	<b>556</b>	<b>2</b>	<b>(39)</b>	<b>519</b>
Equity securities	99	201	(5)	295
Short-term investments, primarily cash equivalents	24	—	—	24
Receivables (payables), net	(11)	—	—	(11)
<b>Total</b>	<b>\$ 668</b>	<b>\$ 203</b>	<b>\$ (44)</b>	<b>\$ 827</b>

	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 2022				
Debt securities:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	\$ 40	\$ 1	\$ (1)	\$ 40
Municipal bonds	283	1	(14)	270
Other securities	248	—	(21)	227
<b>Total debt securities</b>	<b>571</b>	<b>2</b>	<b>(36)</b>	<b>537</b>
Equity securities	111	194	(8)	297
Short-term investments, primarily cash equivalents	11	—	—	11
Receivables (payables), net	(4)	—	—	(4)
<b>Total</b>	<b>\$ 689</b>	<b>\$ 196</b>	<b>\$ (44)</b>	<b>\$ 841</b>

<sup>(1)</sup> Maturity dates are 2023-2054.

<sup>(2)</sup> Maturity dates are 2023-2062.

<sup>(3)</sup> Maturity dates are 2023-2072.

The following table shows the proceeds from sales of securities in the NDT and gross realized gains and losses on those sales.

## SALES OF SECURITIES IN THE NUCLEAR DECOMMISSIONING TRUSTS

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Proceeds from sales	\$ 143	\$ 133	\$ 437	\$ 530
Gross realized gains	12	2	20	16
Gross realized losses	(3)	(3)	(9)	(14)

Net unrealized gains and losses, as well as realized gains and losses that are reinvested in the NDT, are included in noncurrent Regulatory Liabilities on Sempra's and SDG&E's Condensed Consolidated Balance Sheets. We determine the cost of securities in the trusts on the basis of specific identification.

## ASSET RETIREMENT OBLIGATION

The present value of SDG&E's ARO related to decommissioning costs for all three SONGS units was \$512 million at September 30, 2023 and is based on a cost study prepared in 2020 that is pending CPUC approval. SDG&E expects to receive a proposed decision in the fourth quarter of 2023.

## NOTE 10. COMMITMENTS AND CONTINGENCIES

### LEGAL PROCEEDINGS

We accrue losses for a legal proceeding when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the uncertainties inherent in legal proceedings make it difficult to reasonably estimate the costs and effects of resolving these matters. Accordingly, actual costs incurred may differ materially from amounts accrued, may exceed, and in some cases have exceeded, applicable insurance coverage and could materially adversely affect our business, results of operations, financial condition, cash flows and/or prospects. Unless otherwise indicated, we are unable to reasonably estimate possible losses or a range of losses in excess of any amounts accrued.

At September 30, 2023, loss contingency accruals for legal matters, including associated legal fees and regulatory matters related to the Leak, that are probable and estimable were \$203 million for Sempra, including \$127 million for SoCalGas. Amounts for Sempra and SoCalGas include \$125 million for matters related to the Leak, which we discuss below.

#### **SDG&E**

##### *City of San Diego Franchise Agreement*

In 2021, two lawsuits were filed in the California Superior Court challenging various aspects of the natural gas and electric franchise agreements granted by the City of San Diego to SDG&E. Both lawsuits ultimately sought to void the franchise agreements. In one of the cases, judgment was granted in favor of SDG&E and the City of San Diego, and the plaintiff in that case has appealed. In the second case, the court ruled in favor of SDG&E and the City of San Diego, upholding all terms of the franchise agreements, except for the two-thirds City Council vote requirement for termination if the City decides to terminate under certain circumstances. Under the court's ruling, the City can instead terminate on a majority vote, so long as it satisfies repayment provisions under the franchise agreements. This matter is subject to a motion for reconsideration, and subsequently an appeal if not otherwise resolved.

#### **SoCalGas**

##### *Aliso Canyon Natural Gas Storage Facility Gas Leak*

From October 23, 2015 through February 11, 2016, SoCalGas experienced a natural gas leak from one of the injection-and-withdrawal wells, SS25, at its Aliso Canyon natural gas storage facility in Los Angeles County.

**Litigation.** In September 2021, SoCalGas and Sempra entered into an agreement with counsel to resolve approximately 390 lawsuits including approximately 36,000 plaintiffs (the Individual Plaintiffs) then pending against SoCalGas and Sempra related to the Leak for a payment of up to \$1.8 billion. Over 99% of the Individual Plaintiffs participated and submitted valid releases, and SoCalGas paid \$1.79 billion in 2022 under the agreement. The Individual Plaintiffs who have not participated in the settlement (the Remaining Individual Plaintiffs) are able to continue to pursue their claims. In addition, as of October 31, 2023, new lawsuits related to the Leak on behalf of approximately 394 new plaintiffs have been filed against SoCalGas and Sempra since the September 2021 settlement.

The Remaining Individual Plaintiffs' cases and new plaintiffs' cases are coordinated before a single court in the LA Superior Court for pretrial management under a consolidated master complaint filed in November 2017, with one plaintiff's case proceeding under a separate complaint. Both the consolidated master complaint and the separate complaint assert negligence, negligence per se, strict liability, negligent and intentional infliction of emotional distress and fraudulent concealment. The consolidated master complaint asserts additional causes of action for private and public nuisance (continuing and permanent), trespass, inverse condemnation, loss of consortium and wrongful death against SoCalGas and Sempra. The separate complaint asserts an additional cause of action for assault and battery. Both complaints seek compensatory and punitive damages for personal injuries, lost wages and/or lost profits, costs of future medical monitoring, and attorneys' fees. The consolidated master complaint also seeks property damage and diminution in property value, injunctive relief and civil penalties. In October 2023, the LA Superior Court ordered the cases of 233 Remaining Individual Plaintiffs who did not respond to discovery requests to be dismissed.

Four shareholder derivative actions were filed alleging breach of fiduciary duties against certain officers and certain directors of Sempra and/or SoCalGas. Three of the four shareholder derivative actions were joined in an Amended Consolidated Shareholder Derivative Complaint filed in the same coordinated proceeding in the LA Superior Court, which was dismissed with prejudice in January 2021, and in June 2023, the Court of Appeal of the State of California Second Appellate District Division Five affirmed the dismissal. Plaintiffs have sought review in the California Supreme Court. The LA Superior Court dismissed the remaining fourth action with prejudice in November 2022. Plaintiffs appealed this dismissal, but in October 2023, abandoned the appeal; as a result, the dismissal is final.

**Regulatory Proceeding.** In February 2017, the CPUC opened proceeding SB 380 OII to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility while still maintaining energy and electric reliability for the region, but excluding issues with respect to air quality, public health, causation, culpability or cost responsibility regarding the Leak. The first phase of the proceeding established a framework for the hydraulic, production cost and economic modeling assumptions for the potential reduction in usage or elimination of the Aliso Canyon natural gas storage facility, as well as evaluating the impacts of reducing or eliminating the Aliso Canyon natural gas storage facility using the established framework and models. The next phase of the proceeding included engaging a consultant to analyze alternative means for meeting or avoiding the demand for the facility's services if it were eliminated in either the 2027 or 2035 timeframe, and to address potential implementation of alternatives to the Aliso Canyon natural gas storage facility if the CPUC determines that the Aliso Canyon natural gas storage facility should be permanently closed. The CPUC also added all California IOUs as parties to the proceeding and encouraged all load serving entities in the Los Angeles Basin to join the proceeding.

In November 2021, the CPUC issued a decision on the interim range of gas inventory levels at the Aliso Canyon natural gas storage facility, setting an interim range of gas inventory levels of up to 41.16 Bcf. In August 2023, the CPUC issued a decision approving a new interim range of gas inventory levels of up to 68.6 Bcf. The CPUC may issue future changes to this interim range of authorized gas inventory levels before issuing a final decision within the SB 380 OII proceeding.

At September 30, 2023, the Aliso Canyon natural gas storage facility had a net book value of \$993 million. If the Aliso Canyon natural gas storage facility were to be permanently closed or if future cash flows from its operation were otherwise insufficient to recover its carrying value, we may record an impairment of the facility, which could be material, or we could incur materially higher than expected operating costs and/or be required to make material additional capital expenditures (any or all of which may not be recoverable in rates), and natural gas reliability and electric generation could be jeopardized.

**Regulatory Proceeding – Resolved.** In June 2019, the CPUC opened an OII (the Leak OII) to investigate and consider, among other things, whether SoCalGas should be sanctioned for the Leak and what damages, fines or other penalties, if any, should be imposed for any violations, unreasonable or imprudent practices or failure to cooperate sufficiently with SED, as well as to determine the amount of various costs incurred by SoCalGas and other parties in connection with the Leak and the ratemaking treatment or other disposition of such costs. In October 2022, SoCalGas executed a settlement agreement with SED and the Public Advocates Office at the CPUC to resolve all aspects of the Leak OII. The settlement agreement provides for financial penalties, certain costs that SoCalGas will reimburse, a violation of California Public Utilities Code section 451, and that SoCalGas will not seek recovery from ratepayers for costs previously incurred, among other provisions. In September 2023, the CPUC issued a final decision approving the settlement agreement.

**Insurance and Accounting and Other Impacts.** Since 2015, SoCalGas has incurred significant costs related to the Leak, including costs to defend against and settle civil litigation arising from the Leak. Other than insurance for directors' and officers' liability, we have exhausted all of our insurance for this matter. We continue to pursue other sources of insurance coverage for costs related to this matter, but we may not be successful in obtaining additional insurance recovery for any of these costs.

In the three months and nine months ended September 30, 2022, SoCalGas recorded total charges of \$122 million (\$101 million after tax) and \$259 million (\$199 million after tax), respectively, in Aliso Canyon Litigation and Regulatory Matters on the SoCalGas and Sempra Condensed Consolidated Statements of Operations related to the litigation and regulatory proceedings associated with the Leak.

At September 30, 2023, \$126 million is accrued in Reserve for Aliso Canyon Costs and \$3 million is accrued in Deferred Credits and Other on SoCalGas' and Sempra's Condensed Consolidated Balance Sheets. These accruals do not include any amounts in excess of what has been estimated to resolve certain matters that we describe above in "Litigation" and "Regulatory Proceeding," nor any amounts that may be necessary to resolve threatened litigation, other potential litigation or other costs, in each case to the extent it is not possible to predict at this time the outcome of these actions or reasonably estimate the possible costs or a range of possible costs. Further, we are not able to reasonably estimate the possible loss or a range of possible losses in excess of the amounts accrued, which could be significant and could have a material adverse effect on SoCalGas' and Sempra's business, results of operations, financial condition, cash flows and/or prospects.

## **Sempra Infrastructure**

### *Energía Costa Azul*

We describe below certain land disputes and permit challenges affecting our ECA Regas Facility. Certain of these land disputes involve land on which portions of the ECA LNG liquefaction facilities under construction and in development are expected to be situated or on which portions of the ECA Regas Facility that would be necessary for the operation of such ECA LNG liquefaction facilities are situated. One or more unfavorable final decisions on these disputes or challenges could materially adversely affect our existing natural gas regasification operations and proposed natural gas liquefaction projects at the site of the ECA Regas Facility and have a material adverse effect on Sempra's business, results of operations, financial condition, cash flows and/or prospects.

**Land Disputes.** Sempra Infrastructure has been engaged in a long-running land dispute with a claimant relating to property adjacent to its ECA Regas Facility that allegedly overlaps with land owned by the ECA Regas Facility (the facility, however, is not situated on the land that is the subject of this dispute), as follows:

- The claimant to the adjacent property filed complaints in the federal Agrarian Court challenging the refusal of SEDATU in 2006 to issue title to him for the disputed property. In November 2013, the federal Agrarian Court ordered that SEDATU issue the requested title to the claimant and cause it to be registered. Both SEDATU and Sempra Infrastructure challenged the ruling due to lack of notification of the underlying process. In May 2019, a federal court in Mexico reversed the ruling and ordered a retrial, which is pending resolution.
- In a separate proceeding, the claimant filed suit to reinstate an administrative procedure at SEDATU to obtain the property title that, as described above, had previously been issued in a ruling by the federal Agrarian Court and subsequently reversed by a federal court in Mexico. In April 2021, the proceeding in the Agrarian Court concluded with the court ordering that the administrative procedure be restarted. The administrative procedure at SEDATU may continue if SEDATU decides to reopen the matter.

In addition, an area of real property on which part of the ECA Regas Facility is situated is subject to a claim in the federal Agrarian Court, in which the plaintiff seeks to annul the property title for a portion of the land on which the ECA Regas Facility is situated and to obtain possession of a different parcel that allegedly overlaps with the site of the ECA Regas Facility. The proceeding, which seeks an order that SEDATU annul the ECA Regas Facility's competing property title, was initiated in 2006 and, in July 2021, a decision was issued in favor of the ECA Regas Facility. The plaintiff appealed and, in February 2022, the appellate court confirmed the ruling in favor of the ECA Regas Facility and dismissed the appeal. The plaintiff filed a federal appeal against the appellate court ruling. A ruling from the Federal Collegiate Circuit Court is pending.

**Environmental and Social Impact Permits.** Several administrative challenges are pending before Mexico's Secretariat of Environment and Natural Resources (the Mexican environmental protection agency) and Federal Tax and Administrative Courts, seeking revocation of the environmental impact authorization issued to the ECA Regas Facility in 2003. These cases generally allege that the conditions and mitigation measures in the environmental impact authorization are inadequate and challenge findings that the activities of the terminal are consistent with regional development guidelines.

In 2018 and 2021, three related claimants filed separate challenges in the federal district court in Ensenada, Baja California in relation to the environmental and social impact permits issued by each of ASEA and SENER to ECA LNG authorizing natural gas liquefaction activities at the ECA Regas Facility, as follows:

- In the first case, the court issued a provisional injunction against the permits in September 2018. In December 2018, ASEA approved modifications to the environmental permit that facilitate the development of the proposed natural gas liquefaction facility in two phases. In May 2019, the court canceled the provisional injunction. The claimant appealed the court's decision canceling the injunction but was not successful. The claimant's underlying challenge to the permits remains pending.
- In the second case, the initial request for a provisional injunction against the permits was denied. That decision was reversed on appeal in January 2020, resulting in the issuance of a new injunction against the permits that were issued by ASEA and SENER. This injunction has uncertain application absent clarification by the court. The claimants petitioned the court to rule that construction of natural gas liquefaction facilities violated the injunction and, in February 2022, the court ruled in favor of the ECA Regas Facility, holding that the natural gas liquefaction construction activities did not violate the injunction. The claimants appealed this ruling but were not successful. The claimants' underlying challenge to the permits remains pending.
- In the third case, a group of residents filed a complaint in June 2021 against various federal and state authorities alleging deficiencies in the public consultation process for the issuance of the permits. The request for an initial injunction was denied. The claimants appealed this ruling but were not successful. The lower court's ruling was favorable to the ECA Regas Facility, as the court determined that no harm has been caused to the plaintiffs and dismissed the lawsuit. The claimants appealed and the appellate court's ruling is pending.

*Litigation Related to Regulatory and Other Actions by the Mexican Government*

**Amendments to Mexico's Electricity Industry Law.** In March 2021, the Mexican government published a decree with amendments to Mexico's Electricity Industry Law that include some public policy changes, including establishing priority of dispatch for CFE plants over privately owned plants. According to the decree, these amendments were to become effective in March 2021, and SENER, the CRE and Centro Nacional de Control de Energía (Mexico's National Center for Energy Control) were to have 180 calendar days to modify, as necessary, all resolutions, policies, criteria, manuals and other regulations applicable to the power industry to conform with this decree. However, a Mexican court issued a suspension of the amendments later in March 2021. In April 2022, the Mexican Supreme Court resolved an action of unconstitutionality filed by a group of senators against the amended Electricity Industry Law, but the qualified majority of eight votes out of 11 as is required in matters involving constitutionality was not reached and the proceeding was dismissed, which means that the Mexican Supreme Court did not issue a binding precedent and the amended Electricity Industry Law remains in force. Sempra Infrastructure filed three lawsuits against the amendments to the Electricity Industry Law and, in each of them, Sempra Infrastructure obtained a favorable judgment in the lower courts, which were challenged by the CRE. Final resolution is pending. If the proposed amendments are affirmed by the lower courts or by the Mexican Supreme Court (which in these cases would only require a simple majority vote), the CRE may be required to revoke self-supply permits granted under the former electricity law, which were grandfathered when the new Electricity Industry Law was enacted, under a legal standard that is ambiguous and not well-defined under the law. If such self-supply permits granted under the former electricity law are revoked, it may result in increased costs for Sempra Infrastructure and for its power consumers, adversely affect our ability to develop new projects, result in decreased revenues and cash flows, and negatively impact our ability to recover the carrying values of our investments in Mexico, any of which could have a material adverse effect on Sempra's business, results of operations, financial condition, cash flows and/or prospects.

*Sonora Pipeline – Resolved*

**Guaymas-El Oro Segment.** Sempra Infrastructure's Sonora natural gas pipeline consists of two segments, the Sasabe-Puerto Libertad-Guaymas segment and the Guaymas-El Oro segment. Each segment has its own service agreement with the CFE. In 2015, the Yaqui tribe, with the exception of some members living in the Bácum community, granted its consent and a right-of-way easement agreement for the construction of the Guaymas-El Oro segment of the Sonora natural gas pipeline that crosses its territory. Representatives of the Bácum community filed a legal challenge in Mexican federal court demanding the right to withhold consent for the project, resulting in a suspension order in 2016 that prohibited construction through the Bácum community territory. Because Sempra Infrastructure did not believe the 2016 suspension order prohibited construction in the remainder of the Yaqui territory, construction was completed, and commercial operations began in May 2017.

Following the start of commercial operations, Sempra Infrastructure reported damage to the Guaymas-El Oro segment in the Yaqui territory that has made that section inoperable since August 2017 and, as a result, Sempra Infrastructure declared a force majeure event. In 2017, an appellate court ruled that the scope of the 2016 suspension order encompassed the wider Yaqui territory, which has prevented Sempra Infrastructure from making repairs to put the pipeline back in service. In July 2019, a federal district court ruled in favor of Sempra Infrastructure and held that the Yaqui tribe was properly consulted and that consent from the Yaqui tribe was properly received. Representatives of the Bácum community appealed this decision, causing the suspension order preventing Sempra Infrastructure from repairing the damage to the Guaymas-El Oro segment to remain in place until the appeals process was exhausted. Following a request by the CFE to dismiss the appeal based on the plan to re-route the portion of the pipeline that is in the Yaqui territory, in December 2022, the court of appeals reversed the federal district court's ruling and ordered the district court to issue a new ruling that takes into account the planned re-routing of the pipeline. In February 2023, the district court issued a new ruling and resolved to dismiss the case, which was not appealed and, in March 2023, the district court declared that the case was definitively concluded.

## **Other Litigation**

### ***RBS Sempra Commodities***

Sempra holds an equity method investment in RBS Sempra Commodities, a limited liability partnership in the process of being liquidated. In 2015, liquidators filed a claim in the High Court of Justice against RBS (now NatWest Markets plc, our partner in the JV) and Mercuria Energy Europe Trading Limited (the Defendants) on behalf of 10 companies (the Liquidating Companies) that engaged in carbon credit trading via chains that included a company that traded directly with RBS SEE, a subsidiary of RBS Sempra Commodities. The claim alleges that the Defendants' participation in the purchase and sale of carbon credits resulted in the Liquidating Companies' carbon credit trading transactions creating a value-added tax liability they were unable to pay, and that the Defendants are liable to provide for equitable compensation due to dishonest assistance and compensation under the U.K. Insolvency Act of 1986. Trial on the matter was held in 2018. In March 2020, the High Court of Justice rendered its judgment mostly in favor of the Liquidating Companies and awarded damages of approximately £45 million (approximately \$55 million in U.S. dollars at September 30, 2023), plus costs and interest. In October 2020, the High Court of Justice assessed costs and interest to be approximately £21 million (approximately \$26 million in U.S. dollars at September 30, 2023) as of that date, with interest continuing to accrue. The Defendants appealed and, in May 2021, the Court of Appeal set aside the High Court of Justice's decision and ordered a retrial. In July 2022, the Supreme Court of the U.K. denied the Liquidating Companies application for permission to appeal the Court of Appeal's decision. No date has been scheduled for the retrial. J.P. Morgan Chase & Co., which acquired RBS SEE and later sold it to Mercuria Energy Group, Ltd., previously notified us that Mercuria Energy Group, Ltd. has sought indemnity for the claim, and J.P. Morgan Chase & Co. has in turn sought indemnity from Sempra and RBS.

### ***Asbestos Claims Against EFH Subsidiaries***

Certain EFH subsidiaries that we acquired as part of the merger of EFH with an indirect subsidiary of Sempra were defendants in personal injury lawsuits brought in state courts throughout the U.S. These cases alleged illness or death as a result of exposure to asbestos in power plants designed and/or built by companies whose assets were purchased by predecessor entities to the EFH subsidiaries, and generally assert claims for product defects, negligence, strict liability and wrongful death. They sought compensatory and punitive damages. As of October 31, 2023, two lawsuits are pending. Additionally, approximately 28,000 proofs of claim were filed, but not discharged, in advance of a December 2015 deadline to file a proof of claim in the EFH bankruptcy proceeding on behalf of persons who allege exposure to asbestos under similar circumstances and assert the right to file such lawsuits in the future. The costs to defend or resolve such claims and the amount of damages that may be incurred could have a material adverse effect on Sempra's results of operations, financial condition, cash flows and/or prospects.

### ***Ordinary Course Litigation***

We are also defendants in ordinary routine litigation incidental to our businesses, including personal injury, employment litigation, product liability, property damage and other claims. Juries have demonstrated an increasing willingness to grant large awards, including punitive damages, in these types of cases.

## **LEASES**

We discuss leases further in Note 16 of the Notes to Consolidated Financial Statements in the Annual Report.

### ***Lessee Accounting***

We have operating and finance leases for real and personal property (including office space, land, fleet vehicles, machinery and equipment, warehouses and other operational facilities) and PPAs with renewable energy, energy storage and peaker plant facilities.

SDG&E entered into an energy storage agreement that commenced in the second quarter of 2023 and expires in 2033. SDG&E recorded an operating lease right-of-use asset and operating lease liability of \$101 million. Undiscounted lease payments are \$9 million in 2023, \$13 million in each of 2024 through 2027 and \$66 million thereafter.

### ***Leases That Have Not Yet Commenced***

SDG&E has entered into seven purchased-power contracts, of which SDG&E expects one will commence in the fourth quarter of 2023, two will commence in 2024, three will commence in 2025, and one will commence in 2026. SDG&E expects the future minimum lease payments to be \$32 million in 2024, \$61 million in 2025, \$82 million in 2026, \$83 million in 2027 and \$919 million thereafter until expiration in 2041.



### Lessor Accounting

Sempra Infrastructure is a lessor for certain of its natural gas and ethane pipelines, compressor stations, liquid petroleum gas storage facilities, a rail facility and refined products terminals, which we account for as operating or sales-type leases.

We provide information below for leases for which we are the lessor.

LESSOR INFORMATION ON THE CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS – SEMPRA				
(Dollars in millions)				
	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Sales-type leases:</b>				
Interest income	\$ 2	\$ 2	\$ 5	\$ 6
Total revenues from sales-type leases <sup>(1)</sup>	\$ 2	\$ 2	\$ 5	\$ 6
<b>Operating leases:</b>				
Fixed lease payments	\$ 78	\$ 71	\$ 234	\$ 211
Variable lease payments	10	3	26	7
Total revenues from operating leases <sup>(1)</sup>	\$ 88	\$ 74	\$ 260	\$ 218
Depreciation expense	\$ 15	\$ 14	\$ 45	\$ 41

<sup>(1)</sup> Included in Revenues: Energy-Related Businesses on the Condensed Consolidated Statements of Operations.

### CONTRACTUAL COMMITMENTS

We discuss below significant changes in the first nine months of 2023 to contractual commitments discussed in Note 16 of the Notes to Consolidated Financial Statements in the Annual Report.

#### Natural Gas Contracts

Sempra Infrastructure's natural gas contracts and natural gas storage and transportation commitments have increased by approximately \$877 million since December 31, 2022 primarily from entering into new storage and transportation contracts in the first nine months of 2023. We expect future payments to decrease by \$29 million in 2023, and increase by \$38 million in 2024, \$35 million in 2025, \$33 million in 2026, \$30 million in 2027 and \$770 million thereafter through expiration in 2059 compared to December 31, 2022.

#### LNG Purchase Agreement

Sempra Infrastructure has an SPA for the supply of LNG to the ECA Regas Facility. The commitment amount is calculated using a predetermined formula based on estimated forward prices of the index applicable from 2023 to 2029. Although this agreement specifies a number of cargoes to be delivered, under its terms, the supplier may divert certain cargoes, which would reduce amounts paid under the agreement by Sempra Infrastructure. At September 30, 2023, we expect the commitment amount to decrease by \$980 million in 2023, \$62 million in 2024, \$45 million in 2025, \$47 million in 2026, \$58 million in 2027 and \$136 million thereafter (through contract termination in 2029) compared to December 31, 2022, reflecting changes in estimated forward prices since December 31, 2022 and actual transactions for the first nine months of 2023. These LNG commitment amounts are based on the assumption that all LNG cargoes under the agreement are delivered, less those already confirmed to be diverted as of September 30, 2023. Actual LNG purchases in the current and prior years have been significantly lower than the maximum amount provided under the agreement due to the supplier electing to divert cargoes as allowed by the agreement.

#### Purchased-Power Contracts

SDG&E's purchased-power contract commitments have increased by approximately \$482 million since December 31, 2022 primarily from entering into energy storage, hybrid renewable energy and energy storage, and resource adequacy agreements for the first nine months of 2023. At September 30, 2023, we expect the commitment amount to increase by \$14 million in 2023, \$3 million in 2024, \$13 million in 2025, \$32 million in 2026, \$33 million in 2027, and \$387 million thereafter through expiration in 2042 compared to December 31, 2022.

## ENVIRONMENTAL ISSUES

We disclose any proceeding under environmental laws to which a government authority is a party when the potential monetary sanctions, exclusive of interest and costs, exceed the lesser of \$1 million or 1% of current assets, which was \$53 million for Sempra, \$19 million for SDG&E and \$14 million for SoCalGas at September 30, 2023.

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## NOTE 11. SEGMENT INFORMATION

We have four separately managed reportable segments, as follows:

- *SDG&E* provides electric service to San Diego and southern Orange counties and natural gas service to San Diego County.
- *SoCalGas* is a natural gas distribution utility, serving customers throughout most of Southern California and part of central California.
- *Sempra Texas Utilities* holds our investment in Oncor Holdings, which owns an 80.25% interest in Oncor, a regulated electricity transmission and distribution utility serving customers in the north-central, eastern, western and panhandle regions of Texas; and our indirect, 50% interest in Sharyland Holdings L.P., which owns Sharyland Utilities, L.L.C., a regulated electric transmission utility serving customers near the Texas-Mexico border.
- *Sempra Infrastructure* includes the operating companies of our subsidiary, SI Partners, as well as a holding company and certain services companies. Sempra Infrastructure develops, builds, operates and invests in energy infrastructure to help enable the energy transition in North American markets and globally.

We evaluate each segment's performance based on its contribution to Sempra's reported earnings and cash flows. SDG&E and SoCalGas operate in essentially separate service territories, under separate regulatory frameworks and rate structures set by the CPUC and, in the case of SDG&E, the FERC.

The cost of common services shared by the business segments is assigned directly or allocated based on various cost factors, depending on the nature of the service provided. Interest income and expense is recorded on intercompany loans. The loan balances and related interest are eliminated in consolidation.

The following tables show selected information by segment from our Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Cash Flows and Condensed Consolidated Balance Sheets. Amounts labeled as "All other" in the following tables consist primarily of activities of parent organizations.

**SEGMENT INFORMATION**
*(Dollars in millions)*

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>REVENUES</b>				
SDG&E	\$ 1,442	\$ 1,569	\$ 4,357	\$ 4,413
SoCalGas	1,313	1,385	6,574	4,879
Sempra Infrastructure	629	697	2,485	1,810
All other	—	1	—	1
Adjustments and eliminations	—	—	(1)	—
Intersegment revenues <sup>(1)</sup>	(50)	(35)	(186)	(119)
Total	\$ 3,334	\$ 3,617	\$ 13,229	\$ 10,984
<b>DEPRECIATION AND AMORTIZATION</b>				
SDG&E	\$ 280	\$ 247	\$ 810	\$ 730
SoCalGas	211	190	625	565
Sempra Infrastructure	71	67	210	199
All other	1	2	6	6
Total	\$ 563	\$ 506	\$ 1,651	\$ 1,500
<b>INTEREST INCOME</b>				
SDG&E	\$ 7	\$ 2	\$ 12	\$ 3
SoCalGas	2	3	7	4
Sempra Infrastructure	4	7	25	37
All other	7	6	17	14
Intercompany eliminations	(1)	—	(1)	—
Total	\$ 19	\$ 18	\$ 60	\$ 58
<b>INTEREST EXPENSE</b>				
SDG&E	\$ 126	\$ 113	\$ 367	\$ 333
SoCalGas	70	50	210	135
Sempra Infrastructure	7	39	127	98
All other	109	81	292	232
Intercompany eliminations	—	(1)	(1)	(2)
Total	\$ 312	\$ 282	\$ 995	\$ 796
<b>INCOME TAX (BENEFIT) EXPENSE</b>				
SDG&E	\$ (15)	\$ 35	\$ (4)	\$ 141
SoCalGas	(5)	(28)	68	75
Sempra Texas Utilities	—	1	—	1
Sempra Infrastructure	24	58	555	219
All other	(56)	(45)	(120)	(1)
Total	\$ (52)	\$ 21	\$ 499	\$ 435
<b>EQUITY EARNINGS</b>				
Equity earnings, before income tax:				
Sempra Texas Utilities	\$ 2	\$ 1	\$ 5	\$ 6
Sempra Infrastructure	131	133	413	430
	133	134	418	436
Equity earnings, net of income tax:				
Sempra Texas Utilities	305	257	548	603
Sempra Infrastructure	41	26	120	79
	346	283	668	682
Total	\$ 479	\$ 417	\$ 1,086	\$ 1,118

<sup>(1)</sup> Revenues for reportable segments include intersegment revenues of \$5, \$29, and \$16 for the three months ended September 30, 2023 and \$14, \$91, and \$81 for the nine months ended September 30, 2023; \$4, \$24, and \$7 for the three months ended September 30, 2022 and \$11, \$73, and \$35 for the nine months ended September 30, 2022 for SDG&E, SoCalGas, and Sempra Infrastructure, respectively.

**SEGMENT INFORMATION (CONTINUED)**
*(Dollars in millions)*

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>EARNINGS (LOSSES) ATTRIBUTABLE TO COMMON SHARES</b>				
SDG&E	\$ 274	\$ 271	\$ 716	\$ 681
SoCalGas	16	(82)	531	339
Sempra Texas Utilities	305	256	548	604
Sempra Infrastructure	223	114	746	392
All other	(97)	(74)	(248)	(360)
Total	\$ 721	\$ 485	\$ 2,293	\$ 1,656
<b>EXPENDITURES FOR PROPERTY, PLANT &amp; EQUIPMENT</b>				
SDG&E			\$ 1,893	\$ 1,651
SoCalGas			1,451	1,394
Sempra Infrastructure			2,725	489
All other			5	6
Total			\$ 6,074	\$ 3,540
<b>ASSETS</b>				
SDG&E			\$ 28,502	\$ 26,422
SoCalGas			23,069	22,346
Sempra Texas Utilities			14,269	13,781
Sempra Infrastructure			19,722	15,760
All other			1,205	1,376
Intersegment receivables			(1,032)	(1,111)
Total			\$ 85,735	\$ 78,574
<b>EQUITY METHOD INVESTMENTS</b>				
Sempra Texas Utilities			\$ 14,260	\$ 13,772
Sempra Infrastructure			2,096	1,905
Total			\$ 16,356	\$ 15,677

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This combined MD&A for Sempra, SDG&E and SoCalGas should be read in conjunction with the Condensed Consolidated Financial Statements and the Notes thereto in this report, and the Consolidated Financial Statements and the Notes thereto, "Part I – Item 1A. Risk Factors" and "Part II – Item 7. MD&A" in the Annual Report.

**OVERVIEW**

Sempra is a California-based holding company with energy infrastructure investments in North America. Our businesses invest in, develop and operate energy infrastructure, and provide electric and gas services to customers.

On August 2, 2023, Sempra's board of directors declared a two-for-one split of Sempra's common stock in the form of a 100% stock dividend for shareholders of record at the close of business on August 14, 2023. Sempra's common stock began trading on a post-split basis effective August 22, 2023. All shares and per share information related to issued and outstanding common stock have been retroactively adjusted to reflect the stock split and are presented on a post-split basis herein.

We are currently considering a resegmentation in which our SDG&E and SoCalGas segments would be combined into one segment, Sempra California, resulting in three reportable segments. We intend to complete our analysis in the fourth quarter of 2023 and, assuming a positive determination is made, we would implement the resegmentation in our annual report on Form 10-K for the period ending December 31, 2023.

## RESULTS OF OPERATIONS

We discuss the following in Results of Operations:

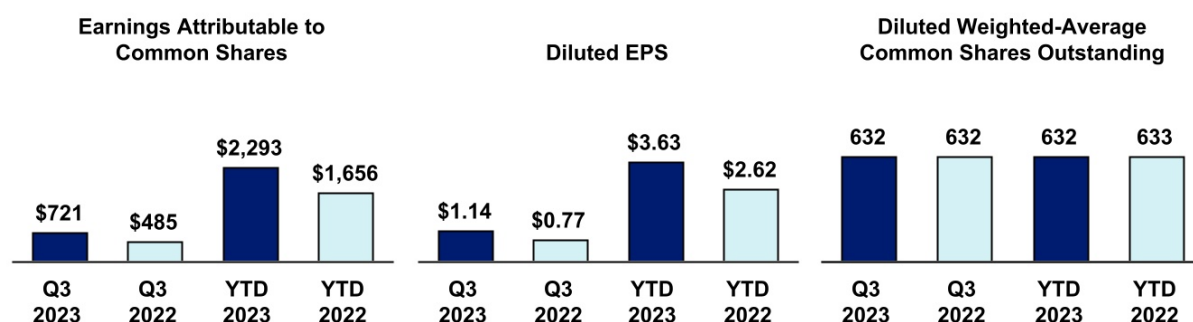
- Overall results of operations of Sempra;
- Segment results;
- Significant changes in revenues, costs and earnings; and
- Impact of foreign currency and inflation rates on results of operations.

## OVERALL RESULTS OF OPERATIONS OF SEMPRA

Sempra's overall results of operations for the three months (Q3) and nine months (YTD) ended September 30, 2023 and 2022 were as follows:

### OVERALL RESULTS OF OPERATIONS OF SEMPRA

(Dollars and shares in millions, except per share amounts)



Our earnings and diluted EPS were impacted by variances discussed below in "Segment Results."

## SEGMENT RESULTS

This section presents earnings (losses) by Sempra segment, as well as Parent and other, and a related discussion of the changes in segment earnings (losses). Throughout the MD&A, our reference to earnings represents earnings attributable to common shares. Variance amounts presented are the after-tax earnings impact (based on applicable statutory tax rates), unless otherwise noted, and before foreign currency and inflation effects and NCI, where applicable.

### SEMPRA EARNINGS (LOSSES) BY SEGMENT

(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
SDG&E	\$ 274	\$ 271	\$ 716	\$ 681
SoCalGas	16	(82)	531	339
Sempra Texas Utilities	305	256	548	604
Sempra Infrastructure	223	114	746	392
Parent and other <sup>(1)</sup>	(97)	(74)	(248)	(360)
Earnings attributable to common shares	\$ 721	\$ 485	\$ 2,293	\$ 1,656

<sup>(1)</sup> Includes intercompany eliminations recorded in consolidation and certain corporate costs.

### ***SDG&E***

The increase in earnings of \$3 million (1%) in the three months ended September 30, 2023 compared to the same period in 2022 was primarily due to:

- \$11 million higher electric transmission margin;
- \$8 million higher CPUC base operating margin, net of operating expenses and \$6 million from lower authorized cost of capital; and
- \$4 million higher net regulatory interest income; **offset by**
- \$13 million lower income tax benefit from the resolution of prior year income tax items; and
- \$6 million higher net interest expense.

The increase in earnings of \$35 million (5%) in the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to:

- \$35 million higher CPUC base operating margin, net of operating expenses and \$18 million from lower authorized cost of capital;
- \$16 million higher net regulatory interest income;
- \$12 million higher electric transmission margin; and
- \$12 million lower income tax expense primarily from flow-through items and lower associated regulatory revenues in 2022; **offset by**
- \$20 million higher net interest expense; and
- \$13 million lower income tax benefit from the resolution of prior year income tax items.

### ***SoCalGas***

Earnings of \$16 million in the three months ended September 30, 2023 compared to losses of \$82 million in the same period in 2022 were primarily due to:

- \$101 million charge in 2022 relating to litigation and regulatory matters pertaining to the Leak;
- \$11 million higher income tax benefits primarily from flow-through items; and
- \$4 million higher net regulatory interest income; **offset by**
- \$15 million higher net interest expense.

The increase in earnings of \$192 million in the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to:

- \$199 million charge in 2022 relating to litigation and regulatory matters pertaining to the Leak;
- \$28 million higher income tax benefits primarily from flow-through items, which includes \$25 million related to income tax benefits in 2023 for previously unrecognized income tax benefits pertaining to gas repairs expenditures;
- \$15 million higher net regulatory interest income;
- \$13 million higher regulatory awards approved by the CPUC; and
- \$10 million in penalties in 2022 related to energy efficiency and advocacy OSCs; **offset by**
- \$52 million higher net interest expense; and
- \$13 million lower CPUC base operating margin, net of operating expenses and \$15 million from lower authorized cost of capital.

### ***Sempra Texas Utilities***

The increase in earnings of \$49 million (19%) in the three months ended September 30, 2023 compared to the same period in 2022 was primarily due to higher equity earnings from Oncor Holdings driven by:

- higher revenues attributable to:
  - higher customer consumption primarily attributable to weather,
  - updates to transmission billing factors,
  - new base rates implemented in May 2023,
  - interim rate updates to reflect increases in invested capital, and
  - customer growth; **offset by**
- higher interest expense and depreciation expense attributable to invested capital; and

- higher O&M.

The decrease in earnings of \$56 million (9%) in the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to lower equity earnings from Oncor Holdings driven by:

- higher interest expense and depreciation expense attributable to invested capital;
- write-off of rate base disallowances in 2023 resulting from the PUCT's final order in Oncor's comprehensive base rate review; and
- higher O&M; **offset by**
- higher revenues attributable to:
  - updates to transmission billing factors,
  - new base rates implemented in May 2023,
  - customer growth, and
  - interim rate updates to reflect increases in invested capital.

### ***Sempra Infrastructure***

The increase in earnings of \$109 million in the three months ended September 30, 2023 compared to the same period in 2022 was primarily due to:

- \$50 million from asset and supply optimization driven by unrealized gains in 2023 compared to unrealized losses in 2022 on commodity derivatives due to changes in natural gas prices, offset by lower LNG diversion fees;
- \$50 million favorable impact from foreign currency and inflation effects on our monetary positions in Mexico, comprised of a \$52 million favorable impact in 2023 compared to a \$2 million favorable impact in 2022;
- \$21 million lower net interest expense due to higher capitalization of interest expense on projects under construction, offset by higher interest rates and borrowings on committed lines of credit;
- \$15 million net income tax benefit in 2023 compared to \$6 million net income tax expense in 2022 primarily from outside basis differences in JV investments; and
- \$9 million from the transportation business driven by higher equity earnings from new tariffs going into effect in June 2023 for certain pipelines in Mexico; **offset by**
- \$122 million earnings attributable to NCI in 2023 compared to \$65 million earnings attributable to NCI in 2022 primarily due to an increase in SI Partners' net income.

The increase in earnings of \$354 million in the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to:

- \$657 million from asset and supply optimization driven by unrealized gains in 2023 compared to unrealized losses in 2022 on commodity derivatives due to changes in natural gas prices;
- \$94 million from the transportation business driven by higher equity earnings and revenues, including the cumulative impact of new tariffs going into effect in June 2023 for certain pipelines in Mexico and a customer's early termination of firm transportation agreements; and
- \$27 million higher net income tax benefit primarily from the remeasurement of certain deferred income taxes and outside basis differences in JV investments; **offset by**
- \$435 million earnings attributable to NCI in 2023 compared to \$187 million earnings attributable to NCI in 2022 primarily due to an increase in SI Partners' net income and from the sale of a 10% NCI in SI Partners to ADIA in June 2022;
- \$133 million unfavorable impact from foreign currency and inflation effects on our monetary positions in Mexico, comprised of a \$244 million unfavorable impact in 2023 compared to a \$111 million unfavorable impact in 2022;
- \$30 million higher net interest expense due to \$27 million net unrealized losses in 2023 on a contingent interest rate swap related to the PA LNG Phase 1 project and higher interest rates and borrowings on committed lines of credit, offset by higher capitalization of interest expense on projects under construction; and
- \$18 million from the LNG business driven by higher development costs and certain non-capitalized expenses from projects under construction.

### ***Parent and Other***

The increase in losses of \$23 million (31%) in the three months ended September 30, 2023 compared to the same period in 2022 was primarily due to:

- \$8 million income tax expense in 2023 compared to \$23 million income tax benefit in 2022 from the interim period application of an annual forecasted consolidated ETR; and

- \$22 million higher net interest expense; **offset by**
- \$23 million income tax benefit in 2023 from the remeasurement of certain deferred income taxes; and
- \$15 million income tax benefit in 2023 from the resolution of prior year income tax items.

The decrease in losses of \$112 million (31%) in the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to:

- \$120 million deferred income tax expense in 2022 associated with the change in our indefinite reinvestment assertion related to our foreign subsidiaries;
- \$44 million lower net investment losses on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation plans;
- \$23 million income tax benefit in 2023 from the remeasurement of certain deferred income taxes; and
- \$15 million income tax benefit in 2023 from the resolution of prior year income tax items; **offset by**
- \$43 million higher net interest expense;
- \$30 million income tax benefit in 2022 from changes to a valuation allowance against certain tax credit carryforwards; and
- \$24 million lower income tax benefit from the interim period application of an annual forecasted consolidated ETR.

## **SIGNIFICANT CHANGES IN REVENUES, COSTS AND EARNINGS**

This section contains a discussion of the differences between periods in the specific line items of the Condensed Consolidated Statements of Operations for Sempra, SDG&E and SoCalGas.

### ***Utilities Revenues and Cost of Sales***

Our utilities revenues include natural gas revenues at SoCalGas and SDG&E and Sempra Infrastructure's Ecogas and electric revenues at SDG&E. Intercompany revenues included in the separate revenues of each utility are eliminated in Sempra's Condensed Consolidated Statements of Operations.

SoCalGas and SDG&E currently operate under a regulatory framework that permits:

- The cost of natural gas purchased for core customers (primarily residential and small commercial and industrial customers) to be passed through to customers in rates substantially as incurred and without markup. The GCIM provides for SoCalGas to share in the savings and/or costs from buying natural gas for its core customers at prices below or above monthly market-based benchmarks. This mechanism permits full recovery of costs incurred when average purchase costs are within a price range around the benchmark price. Any higher costs incurred or savings realized outside this range are shared between core customers and SoCalGas.
- SDG&E to recover the actual cost incurred to generate or procure electricity based on annual estimates of the cost of electricity supplied to customers. The differences in cost between estimates and actual are recovered or refunded in subsequent periods through rates.
- SoCalGas and SDG&E to recover certain program expenditures and other costs authorized by the CPUC, herein referred to as "refundable programs."

Because changes in SoCalGas' and SDG&E's cost of natural gas and/or electricity are recovered in rates, changes in these costs are offset in the changes in revenues and therefore do not impact earnings, other than potential impacts related to the GCIM for SoCalGas that we describe above. In addition to the changes in cost or market prices, natural gas or electric revenues recorded during a period are impacted by the difference between customer billings and recorded or CPUC-authorized amounts. These differences are required to be balanced over time, resulting in over- and undercollected regulatory balancing accounts. We discuss balancing accounts and their effects further in Note 4 of the Notes to Condensed Consolidated Financial Statements in this report and in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report.

SoCalGas' and SDG&E's revenues are decoupled from, or not tied to, actual sales volumes. SoCalGas recognizes annual authorized revenue for natural gas customers using seasonal factors established in applicable proceedings, resulting in a significant portion of SoCalGas' earnings being recognized in the first and fourth quarters of each year. SDG&E's authorized revenue recognition is also impacted by seasonal factors, resulting in higher earnings in the third quarter when electric loads are typically higher than in the other three quarters of the year. We discuss this decoupling mechanism and its effects further in Note 3 of the Notes to Consolidated Financial Statements in the Annual Report.



The table below summarizes utilities revenues and cost of sales.

<b>UTILITIES REVENUES AND COST OF SALES</b>					
<i>(Dollars in millions)</i>					
	Three months ended September 30,		Nine months ended September 30,		
	2023	2022	2023	2022	
<b>Natural gas revenues:</b>					
SoCalGas	\$ 1,313	\$ 1,385	\$ 6,574	\$ 4,879	
SDG&E	188	209	1,014	741	
Sempra Infrastructure	18	19	67	67	
Eliminations and adjustments	(31)	(26)	(95)	(76)	
Total	1,488	1,587	7,560	5,611	
<b>Electric revenues:</b>					
SDG&E	1,254	1,360	3,343	3,672	
Eliminations and adjustments	(4)	(3)	(12)	(9)	
Total	1,250	1,357	3,331	3,663	
Total utilities revenues	\$ 2,738	\$ 2,944	\$ 10,891	\$ 9,274	
<b>Cost of natural gas<sup>(1)</sup>:</b>					
SoCalGas	\$ 224	\$ 441	\$ 2,855	\$ 1,577	
SDG&E	45	65	462	260	
Sempra Infrastructure	4	7	5	21	
Eliminations and adjustments	(13)	(8)	(68)	(23)	
Total	260	505	3,254	1,835	
<b>Cost of electric fuel and purchased power<sup>(1)</sup>:</b>					
SDG&E	200	316	442	806	
Eliminations and adjustments	(17)	(9)	(57)	(43)	
Total	183	307	385	763	
Total utilities cost of sales	\$ 443	\$ 812	\$ 3,639	\$ 2,598	

<sup>(1)</sup> Excludes depreciation and amortization, which are presented separately on the Sempra, SDG&E and SoCalGas Condensed Consolidated Statements of Operations.

### **Natural Gas Revenues and Cost of Natural Gas**

The table below summarizes the average cost of natural gas sold by Sempra California and included in cost of natural gas. The average cost of natural gas sold at each utility is impacted by market prices, as well as transportation, tariff and other charges.

<b>SEMPRA CALIFORNIA AVERAGE COST OF NATURAL GAS</b>					
<i>(Dollars per thousand cubic feet)</i>					
	Three months ended September 30,		Nine months ended September 30,		
	2023	2022	2023	2022	
SoCalGas	\$ 4.84	\$ 9.46	\$ 12.10	\$ 7.64	
SDG&E	6.33	10.20	12.10	7.74	

In the three months ended September 30, 2023, our natural gas revenues decreased by \$99 million (6%) to \$1.5 billion compared to the same period in 2022 primarily due to:

- \$72 million decrease at SoCalGas, which included:
  - \$217 million decrease in cost of natural gas sold, which we discuss below, and
  - \$36 million lower non-service components of net periodic benefit cost, which fully offsets in other income (expense), net, *offset by*
  - \$143 million higher revenues associated with refundable programs, which are fully offset in O&M, and
  - \$32 million higher CPUC-authorized revenues; and
- \$21 million decrease at SDG&E, which included:
  - \$20 million decrease in cost of natural gas sold, which we discuss below, and
  - \$7 million lower revenues associated with refundable programs, which are fully offset in O&M, *offset by*
  - \$4 million higher revenues from balanced capital projects.

In the three months ended September 30, 2023, our cost of natural gas decreased by \$245 million (49%) to \$260 million compared to the same period in 2022 primarily due to:

- \$217 million decrease at SoCalGas primarily due to lower average natural gas prices; and
- \$20 million decrease at SDG&E, including \$27 million from lower average natural gas prices, offset by \$7 million from higher volumes driven by weather.

In the nine months ended September 30, 2023, our natural gas revenues increased by \$1.9 billion (35%) to \$7.6 billion compared to the same period in 2022 primarily due to:

- \$1.7 billion increase at SoCalGas, which included:
  - \$1.3 billion increase in cost of natural gas sold, which we discuss below,
  - \$284 million higher revenues associated with refundable programs, which are fully offset in O&M,
  - \$75 million higher CPUC-authorized revenues,
  - \$28 million higher non-service components of net periodic benefit cost, which fully offsets in other income (expense), net,
  - \$24 million higher franchise fee revenues, and
  - \$18 million higher regulatory awards approved by the CPUC, *offset by*
  - \$26 million lower regulatory revenues in 2023 from the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures, which are offset in income tax benefit (expense); and
- \$273 million increase at SDG&E, which included:
  - \$202 million increase in cost of natural gas sold, which we discuss below,
  - \$28 million higher revenues from balanced capital projects, and
  - \$23 million higher revenues associated with refundable programs, which are fully offset in O&M.

In the nine months ended September 30, 2023, our cost of natural gas increased by \$1.4 billion to \$3.3 billion compared to the same period in 2022 primarily due to:

- \$1.3 billion increase at SoCalGas, including \$1.1 billion from higher average natural gas prices and \$226 million from higher volumes driven by weather; and
- \$202 million increase at SDG&E, including \$167 million from higher average natural gas prices and \$35 million from higher volumes driven by weather.

### ***Electric Revenues and Cost of Electric Fuel and Purchased Power***

In the three months ended September 30, 2023, our electric revenues decreased by \$107 million (8%) to \$1.3 billion compared to the same period in 2022 primarily due to a \$106 million decrease at SDG&E, which included:

- \$116 million lower cost of electric fuel and purchased power, which we discuss below; and
- \$63 million in 2023 from the recognition of investment tax credits from standalone energy storage projects, which are offset in income tax benefit (expense); **offset by**
- \$29 million higher revenues from balanced capital projects;
- \$25 million higher revenues associated with refundable programs, which are fully offset in O&M;
- \$22 million higher revenues from transmission operations; and
- \$9 million higher CPUC-authorized revenues.

Our utility cost of electric fuel and purchased power includes utility-owned generation, power purchased from third parties, and net power purchases and sales to/from the California ISO. In the three months ended September 30, 2023, the cost of electric fuel and purchased power decreased by \$124 million (40%) to \$183 million compared to the same period in 2022 primarily due to a \$116 million decrease at SDG&E, which included:

- \$180 million lower purchased power from the California ISO due to lower customer demand from departing load now served by CCAs, and lower market prices; and
- \$77 million lower utility-owned generation costs; **offset by**
- \$169 million lower sales to the California ISO due to lower market prices.

In the nine months ended September 30, 2023, our electric revenues decreased by \$332 million (9%) to \$3.3 billion compared to the same period in 2022 primarily due to a \$329 million decrease at SDG&E, which included:

- \$364 million lower cost of electric fuel and purchased power, which we discuss below; and

- \$165 million in 2023 from the recognition of investment tax credits from standalone energy storage projects, which are offset in income tax benefit (expense); **offset by**
- \$69 million higher revenues from balanced capital projects;
- \$36 million higher revenues associated with refundable programs, which are fully offset in O&M;
- \$32 million higher CPUC-authorized revenues;
- \$29 million higher revenues from transmission operations; and
- \$10 million higher revenues associated with impacts resulting from changes in tax laws tracked in the income tax expense memorandum account.

In the nine months ended September 30, 2023, the cost of electric fuel and purchased power decreased by \$378 million to \$385 million compared to the same period in 2022 primarily due to a \$364 million decrease at SDG&E, which included:

- \$138 million lower purchased power from the California ISO due to lower customer demand from departing load now served by CCAs, net of higher market prices;
- \$98 million lower purchased power from, net of higher excess capacity sales to, third parties;
- \$55 million higher realized gains on fixed-price natural gas derivative contracts, which are entered into to hedge the cost of electric fuel; and
- \$54 million lower utility-owned generation costs.

### **Energy-Related Businesses: Revenues and Cost of Sales**

The table below shows revenues and cost of sales for our energy-related businesses.

<b>ENERGY-RELATED BUSINESSES: REVENUES AND COST OF SALES</b>					
<i>(Dollars in millions)</i>					
	Three months ended September 30,		Nine months ended September 30,		
	2023	2022	2023	2022	
<b>Revenues:</b>					
Sempra Infrastructure	\$ 611	\$ 678	\$ 2,418	\$ 1,743	
Parent and other <sup>(1)</sup>	(15)	(5)	(80)	(33)	
Total revenues	\$ 596	\$ 673	\$ 2,338	\$ 1,710	
<b>Cost of sales<sup>(2)</sup>:</b>					
Sempra Infrastructure	\$ 163	\$ 340	\$ 437	\$ 764	
Total cost of sales	\$ 163	\$ 340	\$ 437	\$ 764	

<sup>(1)</sup> Includes eliminations of intercompany activity.

<sup>(2)</sup> Excludes depreciation and amortization, which are presented separately on Sempra's Condensed Consolidated Statements of Operations.

In the three months ended September 30, 2023, revenues from our energy-related businesses decreased by \$77 million (11%) to \$596 million compared to the same period in 2022 primarily due to:

- \$48 million decrease in revenues from asset and supply optimization from contracts to sell natural gas and LNG to third parties, including:
  - \$32 million from lower LNG diversion fees, and
  - \$11 million primarily driven by \$113 million from lower natural gas prices and volumes offset by \$2 million unrealized gains in 2023 compared to \$76 million unrealized losses in 2022 on commodity derivatives; and
- \$35 million decrease in revenues from TdM mainly due to lower power prices.

In the three months ended September 30, 2023, the cost of sales for our energy-related businesses decreased by \$177 million to \$163 million compared to the same period in 2022 primarily due to:

- \$151 million driven by lower natural gas purchases related to asset and supply optimization; and
- \$32 million at TdM driven by lower natural gas prices.

In the nine months ended September 30, 2023, revenues from our energy-related businesses increased by \$628 million (37%) to \$2.3 billion compared to the same period in 2022 primarily due to:

- \$652 million increase in revenues from asset and supply optimization from contracts to sell natural gas and LNG to third parties, including:
  - \$720 million primarily driven by \$619 million unrealized gains in 2023 compared to \$183 million unrealized losses in 2022 on commodity derivatives offset by \$72 million from lower natural gas prices, net of higher volumes, *offset by*

- \$71 million lower LNG sales; and
- \$35 million higher transportation revenues driven by a customer's early termination of firm transportation agreements; **offset by**
- \$40 million decrease in revenues from TdM mainly due to lower power prices and lower volumes from maintenance on a third-party pipeline in 2023 that supplies gas to the plant.

In the nine months ended September 30, 2023, the cost of sales for our energy-related businesses decreased by \$327 million (43%) to \$437 million compared to the same period in 2022 primarily due to:

- \$355 million decrease driven by lower natural gas and LNG purchases, net of higher prices, related to asset and supply optimization; **offset by**
- \$20 million increase at TdM driven by higher natural gas prices offset by lower volumes from maintenance on a third-party pipeline in 2023 that supplies gas to the plant.

### ***Operation and Maintenance***

In the three months ended September 30, 2023, O&M increased by \$177 million (15%) to \$1.4 billion compared to the same period in 2022 primarily due to:

- \$143 million increase at SoCalGas due to higher expenses associated with refundable programs, which costs incurred are recovered in revenue; and
- \$24 million increase at SDG&E due to:
  - \$18 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and
  - \$6 million higher non-refundable operating costs.

In the nine months ended September 30, 2023, O&M increased by \$504 million (15%) to \$4.0 billion compared to the same period in 2022 primarily due to:

- \$327 million increase at SoCalGas due to:
  - \$284 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and
  - \$43 million higher non-refundable operating costs;
- \$108 million increase at SDG&E due to:
  - \$59 million higher expenses associated with refundable programs, which costs incurred are recovered in revenue, and
  - \$49 million higher non-refundable operating costs; and
- \$71 million increase at Sempra Infrastructure due to:
  - \$34 million higher development costs and certain non-capitalized expenses from projects under construction,
  - \$13 million higher purchased services, and
  - \$12 million higher operating cost due to remeasurement of operating leases at the refined products terminals in 2022.

### ***Aliso Canyon Litigation and Regulatory Matters***

In the three months and nine months ended September 30, 2022, SoCalGas recorded charges of \$122 million and \$259 million, respectively, relating to litigation and regulatory matters pertaining to the Leak.

### ***Other Income (Expense), Net***

As part of our central risk management function, we may enter into foreign currency derivatives to hedge SI Partners' exposure to movements in the Mexican peso from its controlling interest in IEnova. The gains/losses associated with these derivatives are included in other income (expense), net, as described below, and partially mitigate the transactional effects of foreign currency and inflation included in income tax expense for SI Partners' consolidated entities and in equity earnings for SI Partners' equity method investments. We discuss policies governing our risk management in "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the Annual Report.

Other income, net, in the three months ended September 30, 2023 was \$3 million compared to other expense, net, of \$40 million in the same period in 2022 primarily due to:

- \$49 million lower non-service components of net periodic benefit cost, including \$12 million at SDG&E and \$36 million at SoCalGas; and
- \$12 million higher net interest income on regulatory balancing accounts, including \$5 million at SDG&E and \$7 million at SoCalGas; **offset by**

- \$6 million higher net investment losses on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation plans.

Other income, net, in the nine months ended September 30, 2023 was \$75 million compared to other expense, net, of \$3 million in the same period in 2022 primarily due to:

- \$58 million lower net investment losses on dedicated assets in support of our employee nonqualified benefit plan and deferred compensation plans;
- \$44 million higher net interest income on regulatory balancing accounts, including \$22 million at SDG&E and \$22 million at SoCalGas; and
- \$6 million gains in 2023 compared to \$16 million losses in 2022 from impacts associated with interest rate and foreign exchange instruments and foreign currency transactions, including:
  - \$11 million foreign currency losses in 2022 on a Mexican peso-denominated loan to IMG, which is fully offset in equity earnings, and
  - \$1 million gain in 2023 compared to \$7 million losses in 2022 on other foreign currency transactional effects; and
- \$10 million in penalties at SoCalGas in 2022 related to energy efficiency and advocacy OSCs; **offset by**
- \$34 million higher non-service components of net periodic benefit cost, including \$6 million at SDG&E and \$28 million at SoCalGas.

### ***Interest Expense***

In the three months ended September 30, 2023, interest expense increased by \$30 million (11%) to \$312 million compared to the same period in 2022 primarily due to:

- \$29 million at Parent and other from higher debt balances from debt issuances and higher interest rates and borrowings on commercial paper;
- \$20 million at SoCalGas from higher debt balances from debt issuances and higher interest rates; and
- \$13 million at SDG&E primarily from higher debt balances from debt issuances; **offset by**
- \$32 million at Sempra Infrastructure primarily due to:
  - \$39 million lower interest expense due to higher capitalization of interest expense on projects under construction, *offset by*
  - \$17 million higher interest rates and borrowings on committed lines of credit.

In the nine months ended September 30, 2023, interest expense increased by \$199 million (25%) to \$995 million compared to the same period in 2022 primarily due to:

- \$75 million at SoCalGas from higher debt balances from debt issuances and higher interest rates;
- \$61 million at Parent and other from higher interest rates and borrowings on commercial paper and higher debt balances from debt issuances;
- \$34 million at SDG&E primarily from higher debt balances from debt issuances; and
- \$29 million at Sempra Infrastructure primarily due to:
  - \$61 million higher interest rates and borrowings on committed lines of credit, and
  - \$47 million interest expense in 2023 comprised of \$33 million net unrealized losses and a \$14 million settlement on a contingent interest rate swap related to the PA LNG Phase 1 project that we discuss in Note 7 of the Condensed Consolidated Financial Statements, *offset by*
  - \$65 million lower interest expense due to higher capitalization of interest expense on projects under construction.

## Income Taxes

The table below shows the income tax expense and ETRs for Sempra, SDG&E and SoCalGas.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>INCOME TAX (BENEFIT) EXPENSE AND EFFECTIVE INCOME TAX RATES</b>				
<i>(Dollars in millions)</i>				
<b>Sempra:</b>				
Income tax (benefit) expense	\$ (52)	\$ 21	\$ 499	\$ 435
Income before income taxes and equity earnings	\$ 323	\$ 165	\$ 2,175	\$ 1,194
Equity earnings, before income tax <sup>(1)</sup>	133	134	418	436
Pretax income	\$ 456	\$ 299	\$ 2,593	\$ 1,630
Effective income tax rate	(11)%	7 %	19 %	27 %
<b>SDG&amp;E:</b>				
Income tax (benefit) expense	\$ (15)	\$ 35	\$ (4)	\$ 141
Income before income taxes	\$ 259	\$ 306	\$ 712	\$ 822
Effective income tax rate	(6)%	11 %	(1)%	17 %
<b>SoCalGas:</b>				
Income tax (benefit) expense	\$ (5)	\$ (28)	\$ 68	\$ 75
Income (loss) before income taxes	\$ 11	\$ (110)	\$ 600	\$ 415
Effective income tax rate	(45)%	25 %	11 %	18 %

<sup>(1)</sup> We discuss how we recognize equity earnings in Note 6 of the Notes to Consolidated Financial Statements in the Annual Report.

Under the IRA, beginning in 2023, the scope of projects eligible for investment tax credits was expanded to include standalone energy storage projects. The IRA also provided an election that prospectively permits investment tax credits related to standalone energy storage projects to be returned to utility customers over a period that is shorter than the life of the applicable asset. Under this election, SDG&E recorded a regulatory liability to offset these investment tax credits, which reduced SDG&E's and Sempra's ETR in 2023.

In April 2023, the IRS issued Revenue Procedure 2023-15, which provides a safe harbor method of accounting for gas repairs expenditures. As a result of this Revenue Procedure, SoCalGas updated its assessment of prior years' unrecognized income tax benefits and, in the nine months ended September 30, 2023, recorded an income tax benefit of \$43 million for previously unrecognized income tax benefits pertaining to gas repairs expenditures. SoCalGas recorded an associated regulatory liability for the portion that will benefit customers in the future. We are assessing the potential future impacts of this Revenue Procedure.

### Sempra

In the three months ended September 30, 2023, Sempra's income tax benefit compared to income tax expense in the same period in 2022 was primarily due to:

- \$49 million income tax benefit in 2023 compared to \$4 million income tax benefit in 2022 from foreign currency and inflation effects on our monetary positions in Mexico;
- \$23 million income tax benefit in 2023 associated with the remeasurement of certain deferred income taxes; and
- income tax benefit in 2023 from the recognition of investment tax credits from standalone energy storage projects; **offset by**
- \$21 million income tax benefit in 2022 associated with charges relating to litigation and regulatory matters pertaining to the Leak; and
- higher pretax income.

In the nine months ended September 30, 2023, Sempra's income tax expense increased by \$64 million (15%) compared to the same period in 2022 primarily due to:

- \$203 million income tax expense in 2023 compared to \$80 million income tax expense in 2022 from foreign currency and inflation effects on our monetary positions in Mexico;
- \$60 million income tax benefit in 2022 associated with charges relating to litigation and regulatory matters pertaining to the Leak;
- \$30 million income tax benefit in 2022 from changes to a valuation allowance against certain tax credit carryforwards;
- \$11 million lower income tax benefit from the remeasurement of certain deferred income taxes; and
- higher pretax income; **offset by**
- \$120 million deferred income tax expense in 2022 associated with the change in our indefinite reinvestment assertion related to our foreign subsidiaries;
- \$43 million income tax benefit in 2023 from the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures; and
- income tax benefit in 2023 from the recognition of investment tax credits from standalone energy storage projects.

We discuss the impact of foreign currency exchange rates and inflation on income taxes below in "Impact of Foreign Currency and Inflation Rates on Results of Operations." See Note 1 of the Notes to Condensed Consolidated Financial Statements in this report and Notes 1 and 8 of the Notes to Consolidated Financial Statements in the Annual Report for further details about our accounting for income taxes and items subject to flow-through treatment.

### *SDG&E*

In the three months and nine months ended September 30, 2023, SDG&E's income tax benefit compared to income tax expense in the same period in 2022 was primarily due to:

- income tax benefit in 2023 from the recognition of investment tax credits from standalone energy storage projects; and
- lower pretax income; **offset by**
- \$10 million lower income tax benefit from the resolution of prior year income tax items.

### *SoCalGas*

In the three months ended September 30, 2023, SoCalGas' income tax benefit decreased by \$23 million compared to the same period in 2022 primarily due to a \$21 million income tax benefit in 2022 associated with charges relating to litigation and regulatory matters pertaining to the Leak.

In the nine months ended September 30, 2023, SoCalGas' income tax expense decreased by \$7 million (9%) compared to the same period in 2022 primarily due to:

- the recognition of previously unrecognized income tax benefits pertaining to gas repairs expenditures; and
- lower pretax income in 2023 compared to 2022 (before charges in 2022 relating to litigation and regulatory matters pertaining to the Leak); **offset by**
- \$60 million income tax benefit in 2022 associated with charges relating to litigation and regulatory matters pertaining to the Leak.

### *Equity Earnings*

In the three months ended September 30, 2023, equity earnings increased by \$62 million (15%) to \$479 million compared to the same period in 2022 primarily due to:

- \$48 million at Oncor Holdings driven by:
  - higher revenues attributable to higher customer consumption primarily attributable to weather, updates to transmission billing factors, new base rates implemented in May 2023, interim rate updates to reflect increases in invested capital, and customer growth, *offset by*
  - higher interest expense and depreciation expense attributable to invested capital, and
  - higher O&M;
- \$9 million at TAG mainly due to higher revenues from new tariffs going into effect in June 2023; and
- \$6 million at IMG mainly due to lower income tax expense.

In the nine months ended September 30, 2023, equity earnings decreased by \$32 million (3%) to \$1,086 million compared to the same period in 2022 primarily due to:

- \$55 million at Oncor Holdings driven by:
  - higher interest expense and depreciation expense attributable to invested capital,
  - write-off of rate base disallowances in 2023 resulting from the PUCT's final order in Oncor's comprehensive base rate review, and
  - higher O&M, *offset by*
  - higher revenues attributable to updates to transmission billing factors, new base rates implemented in May 2023, customer growth, and interim rate updates to reflect increases in invested capital;
- \$28 million at IMG due to foreign currency effects, including \$11 million foreign currency gains in 2022 on IMG's Mexican peso-denominated loans from its JV owners, which is fully offset in other income (expense), net, and higher interest expense and income tax expense; and
- \$17 million at Cameron LNG JV due to higher project development costs from the proposed Cameron LNG Phase 2 project; **offset by**
- \$69 million at TAG due to higher revenues, including the cumulative impact of new tariffs going into effect in June 2023, offset by higher income tax expense.

### ***Earnings Attributable to Noncontrolling Interests***

In the three months ended September 30, 2023, earnings attributable to NCI increased by \$57 million to \$122 million compared to the same period in 2022 due to an increase in SI Partners' net income.

In the nine months ended September 30, 2023, earnings attributable to NCI increased by \$248 million to \$435 million compared to the same period in 2022 primarily due to:

- \$157 million increase from an increase in SI Partners' net income; and
- \$91 million increase from a decrease in our ownership interest in SI Partners and SI Partners subsidiaries.

### **IMPACT OF FOREIGN CURRENCY AND INFLATION RATES ON RESULTS OF OPERATIONS**

Because our natural gas distribution utility in Mexico, Ecogas, uses its local currency as its functional currency, revenues and expenses are translated into U.S. dollars at average exchange rates for the period for consolidation in Sempra's results of operations. We discuss further the impact of foreign currency and inflation rates on results of operations, including impacts on income taxes and related hedging activity, in "Part II – Item 7. MD&A – Impact of Foreign Currency and Inflation Rates on Results of Operations" in the Annual Report.

#### ***Foreign Currency Translation***

Any difference in average exchange rates used for the translation of income statement activity from year to year can cause a variance in Sempra's comparative results of operations. In the three months and nine months ended September 30, 2023, the change in our earnings as a result of foreign currency translation rates was higher by \$1 million and \$3 million, respectively, compared to the same periods in 2022.



### Transactional Impacts

Income statement activities at our foreign operations and their JVs are also impacted by transactional gains and losses, a summary of which is shown in the table below:

#### TRANSACTIONAL (LOSSES) GAINS FROM FOREIGN CURRENCY AND INFLATION EFFECTS

(Dollars in millions)

	Total reported amounts		Transactional (losses) gains included in reported amounts	
	Three months ended September 30,			
	2023	2022	2023	2022
Other income (expense), net	\$ 3	\$ (40)	\$ (2)	\$ 1
Income tax benefit (expense)	52	(21)	49	4
Equity earnings	479	417	5	(2)
Net income	854	561	52	3
Earnings attributable to noncontrolling interests	(122)	(65)	(16)	(1)
Earnings attributable to common shares	721	485	36	2

	Nine months ended September 30,			
	2023	2022	2023	2022
	Other income (expense), net	\$ 75	\$ (3)	\$ 6
Income tax benefit (expense)	(499)	(435)	(203)	(80)
Equity earnings	1,086	1,118	(46)	(14)
Net income	2,762	1,877	(243)	(110)
Earnings attributable to noncontrolling interests	(435)	(187)	77	21
Earnings attributable to common shares	2,293	1,656	(166)	(89)

## CAPITAL RESOURCES AND LIQUIDITY

### OVERVIEW

#### Sempra

##### Liquidity

We expect to meet our cash requirements through cash flows from operations, unrestricted cash and cash equivalents, borrowings under or supported by our credit facilities, other incurrences of debt which may include issuing debt securities and obtaining term loans, and other financing transactions which may include issuing equity securities, distributions from our equity method investments, project financing and funding from minority interest owners. We believe that these cash flow sources, combined with available funds, will be adequate to fund our operations in both the short-term and long-term, including to:

- finance capital expenditures
- repay debt
- fund dividends
- fund contractual and other obligations and otherwise meet liquidity requirements
- fund capital contribution requirements
- fund new business or asset acquisitions or start-ups

Sempra, SDG&E and SoCalGas currently have reasonable access to the money markets and capital markets and are not currently constrained in their ability to borrow money at market rates from commercial banks, under existing revolving credit facilities, through public offerings of debt securities, or through private placements of debt supported by our revolving credit facilities in the case of commercial paper. However, our ability to access these markets or obtain credit from commercial banks outside of our committed revolving credit facilities could become materially constrained if economic conditions worsen or disruptions to or volatility in these markets increase. Debt funding has become less attractive due to the recent rise in both short-term and long-term interest rates. In addition, our financing activities and actions by credit rating agencies, as well as many other factors, could negatively affect the availability and cost of both short-term and long-term debt financing and equity financing. Also, cash flows

from operations may be impacted by the timing of commencement and completion, and potentially cost overruns, of large projects and other material events, such as the settlement of material litigation. If cash flows from operations were to be significantly reduced or we were unable to borrow or obtain other financing under acceptable terms, we would likely first reduce or postpone discretionary capital expenditures (not related to safety/reliability) and investments in new businesses. We monitor our ability to finance the needs of our operating, investing and financing activities in a manner consistent with our goal to maintain our investment-grade credit ratings.

### Available Funds

Our committed lines of credit provide liquidity and support commercial paper. Sempra, SDG&E and SoCalGas each have five-year credit agreements expiring in 2028 and Sempra Infrastructure has four committed lines of credit expiring on various dates from 2025 through 2030, and an uncommitted revolving credit facility expiring in 2024.

### AVAILABLE FUNDS AT SEPTEMBER 30, 2023

(Dollars in millions)

	Sempra	SDG&E	SoCalGas
Unrestricted cash and cash equivalents <sup>(1)</sup>	\$ 1,149	\$ 246	\$ 26
Available unused credit <sup>(2)</sup>	8,096	1,500	779

<sup>(1)</sup> Amounts at Sempra include \$170 held in non-U.S. jurisdictions. We discuss repatriation in Note 8 of the Notes to Consolidated Financial Statements in the Annual Report.

<sup>(2)</sup> Available unused credit is the total available on committed and uncommitted lines of credit that we discuss in Note 6 of the Notes to Condensed Consolidated Financial Statements. Because our commercial paper programs are supported by these lines, we reflect the amount of commercial paper outstanding and any letters of credit outstanding as a reduction to the available unused credit.

### Short-Term Borrowings

We use short-term debt primarily to meet liquidity requirements, fund shareholder dividends, and temporarily finance capital expenditures, acquisitions or start-ups. SDG&E and SoCalGas use short-term debt primarily to meet working capital needs or to help fund event-specific costs. Commercial paper, lines of credit and a term loan were our primary sources of short-term debt funding in the first nine months of 2023.

We discuss our short-term debt activities in Note 6 of the Notes to Condensed Consolidated Financial Statements and below in “Sources and Uses of Cash.”

### Long-Term Debt Activities

Significant issuances of and payments on long-term debt in the first nine months of 2023 included the following:

### LONG-TERM DEBT ISSUANCES AND PAYMENTS

(Dollars in millions)

Issuances:	Amount at issuance	Maturity
Sempra 5.40% senior unsecured notes	\$ 550	2026
Sempra 5.50% senior unsecured notes	700	2033
SDG&E 5.35% first mortgage bonds	800	2053
SDG&E 4.95% green first mortgage bonds	600	2028
SoCalGas 5.20% first mortgage bonds	500	2033
SoCalGas 5.75% first mortgage bonds	500	2053
Sempra Infrastructure variable rate notes (ECA LNG Phase 1 project)	207	2025
Sempra Infrastructure variable rate notes (PA LNG Phase 1 project)	243	2030
<b>Payments:</b>	<b>Payments</b>	<b>Maturity</b>
SDG&E 3.60% first mortgage bonds	\$ 450	2023
SoCalGas senior unsecured variable rate notes	300	2023
Sempra Infrastructure 6.3% notes (4.124% after cross-currency swap)	208	2023

We discuss our long-term debt activities, including the use of proceeds on long-term debt issuances, in Note 6 of the Notes to Condensed Consolidated Financial Statements.

### Credit Ratings

We provide additional information about the credit ratings of Sempra, SDG&E and SoCalGas in “Part I – Item 1A. Risk Factors” and “Part II – Item 2. MD&A – Capital Resources and Liquidity” in the Annual Report.

The credit ratings of Sempra, SDG&E and SoCalGas remained at investment grade levels in the first nine months of 2023.

#### CREDIT RATINGS AT SEPTEMBER 30, 2023

	Sempra	SDG&E	SoCalGas
Moody's	Baa2 with a stable outlook	A3 with a stable outlook	A2 with a stable outlook
S&P	BBB+ with a stable outlook	BBB+ with a stable outlook	A with a negative outlook
Fitch	BBB+ with a stable outlook	BBB+ with a stable outlook	A with a stable outlook

A downgrade of Sempra's or any of its subsidiaries' credit ratings or rating outlooks may, depending on the severity, result in the imposition of financial or other burdensome covenants or a requirement for collateral to be posted in the case of certain financing arrangements and may materially and adversely affect the market prices of their equity and debt securities, the rates at which borrowings are made and commercial paper is issued, and the various fees on their outstanding credit facilities. This could make it more costly for Sempra, SDG&E, SoCalGas and Sempra's other subsidiaries to issue debt securities, to borrow under credit facilities and to raise certain other types of financing.

Sempra has agreed that, if the credit rating of Oncor's senior secured debt by any of the three major rating agencies falls below BBB (or the equivalent), Oncor will suspend dividends and other distributions (except for contractual tax payments), unless otherwise allowed by the PUCT. Oncor's senior secured debt was rated A2, A+ and A at Moody's, S&P and Fitch, respectively, at September 30, 2023.

### Loans to/from Affiliates

At September 30, 2023, Sempra had \$308 million in loans due to unconsolidated affiliates.

### Inflation Reduction Act of 2022

The IRA was signed into law in August 2022. The IRA includes tax credits and other incentives for energy and climate initiatives and introduces a 15% corporate alternative minimum tax on adjusted financial statement income for tax years beginning after December 31, 2022. We do not currently expect the IRA to have a material adverse impact on Sempra's, SDG&E's or SoCalGas' results of operations, financial condition and/or cash flows. We will continue to assess the impacts of the IRA as the U.S. Department of the Treasury and the IRS issue guidance on tax implementation, and the U.S. Environmental Protection Agency and DOE issue guidance on energy and climate initiatives.

### Sempra California

SDG&E's and SoCalGas' operations have historically provided relatively stable earnings and liquidity. Their future performance and liquidity will depend primarily on the ratemaking and regulatory process, environmental regulations, economic conditions, actions by legislators, litigation and the changing energy marketplace, as well as other matters described in this report. SDG&E and SoCalGas expect that the available unused funds from their credit facilities described above, which also supports their commercial paper programs, cash flows from operations, and other incurrences of debt including issuing debt securities and obtaining term loans will continue to be adequate to fund their respective current operations and planned capital expenditures. SDG&E and SoCalGas manage their capital structures and pay dividends when appropriate and as approved by their respective boards of directors.

As we discuss in Note 4 of the Notes to Condensed Consolidated Financial Statements in this report and in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report, changes in regulatory balancing accounts for significant costs at SDG&E and SoCalGas, particularly a change between over- and undercollected status, may have a significant impact on cash flows. These changes generally represent the difference between when costs are incurred and when they are ultimately recovered or refunded in rates through billings to customers.

### *CPUC Cost of Capital*

As we discuss in Note 4 of the Notes to the Condensed Consolidated Financial Statements, the CPUC approved the cost of capital for SDG&E and SoCalGas that became effective on January 1, 2023 and will remain in effect through December 31, 2025, subject to the CCM. The CPUC has issued a ruling to initiate a second phase of this cost of capital proceeding to evaluate potential modifications to the CCM.

The CCM applies in the interim years between required cost of capital applications and considers changes in the cost of capital based on changes in interest rates using the applicable utility bond index published by Moody's (the CCM benchmark rate) for each 12-month period ending September 30 (the measurement period). The CCM benchmark rate is the basis of comparison to determine if the CCM is triggered, which occurs if the change in the applicable Moody's utility bond index relative to the CCM benchmark rate is larger than plus or minus 1.000% at the end of the measurement period. The index applicable to SDG&E and SoCalGas is based on each utility's credit rating. For the measurement period that ended on September 30, 2023, SDG&E's CCM benchmark rate was 4.367% based on Moody's Baa- utility bond index and SoCalGas' CCM benchmark rate was 4.074% based on Moody's A- utility bond index. SDG&E's and SoCalGas' average bond index rates for the period from October 1, 2022 through September 30, 2023 were more than 1.000% above their respective CCM benchmark rates, which triggered the CCM. Subject to regulatory approval, the CCM trigger would increase the authorized rate of return for SDG&E to 7.67% (including the cost of debt to 4.34% and return on equity to 10.65%) and increase the authorized rate of return for SoCalGas to 7.67% (including the cost of debt to 4.54% and return on equity to 10.50%), effective January 1, 2024.

### **SDG&E**

#### *Wildfire Fund*

The carrying value of SDG&E's Wildfire Fund asset totaled \$310 million at September 30, 2023. We describe the Wildfire Legislation and SDG&E's commitment to make annual shareholder contributions to the Wildfire Fund through 2028 in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

SDG&E is exposed to the risk that the participating California electric IOUs may incur third-party wildfire costs for which they will seek recovery from the Wildfire Fund with respect to wildfires that have occurred since enactment of the Wildfire Legislation in July 2019. In such a situation, SDG&E may recognize a reduction of its Wildfire Fund asset and record an impairment charge against earnings when available coverage is reduced due to recoverable claims from any of the participating IOUs. Pacific Gas and Electric Company has indicated that it will seek reimbursement from the Wildfire Fund for losses associated with the Dixie Fire, which burned from July 2021 through October 2021 and was reported to be the largest single wildfire (measured by acres burned) in California history. If any California electric IOU's equipment is determined to be a cause of a fire, it could have a material adverse effect on SDG&E's and Sempra's financial condition and results of operations up to the carrying value of our Wildfire Fund asset, with additional potential material exposure if SDG&E's equipment is determined to be a cause of a fire. In addition, the Wildfire Fund could be completely exhausted due to fires in the other California electric IOUs' service territories, by fires in SDG&E's service territory or by a combination thereof. In the event that the Wildfire Fund is materially diminished, exhausted or terminated, SDG&E will lose the protection afforded by the Wildfire Fund, and as a consequence, a fire in SDG&E's service territory could have a material adverse effect on SDG&E's and Sempra's results of operations, financial condition, cash flows and/or prospects.

#### *Off-Balance Sheet Arrangements*

SDG&E has entered into PPAs and tolling agreements that are variable interests in unconsolidated entities. We discuss variable interests in Note 1 of the Notes to Condensed Consolidated Financial Statements.

### **SoCalGas**

#### *Aliso Canyon Natural Gas Storage Facility Gas Leak*

**Insurance and Accounting and Other Impacts.** Since 2015, SoCalGas has incurred significant costs related to the Leak, including costs to defend against and settle civil litigation arising from the Leak. Other than insurance for directors' and officers' liability, we have exhausted all of our insurance for this matter. We continue to pursue other sources of insurance coverage for costs related to this matter, but we may not be successful in obtaining additional insurance recovery for any of these costs.

At September 30, 2023, \$126 million is accrued in Reserve for Aliso Canyon Costs and \$3 million is accrued in Deferred Credits and Other on SoCalGas' and Sempra's Condensed Consolidated Balance Sheets. These accruals do not include any amounts in excess of what has been estimated to resolve certain matters that we describe in "Litigation" and "Regulatory Proceeding" nor any amounts that may be necessary to resolve threatened litigation, other potential litigation or other costs, in each case to the extent it

is not possible to predict at this time the outcome of these actions or reasonably estimate the possible costs or a range of possible costs. Further, we are not able to reasonably estimate the possible loss or a range of possible losses in excess of the amounts accrued, which could be significant.

An adverse outcome with respect to (i) the unresolved litigation we describe under “Litigation,” (ii) the unresolved SB 380 OII proceeding we describe under “Regulatory Proceeding,” or (iii) threatened or other potential litigation related to the Leak, in each case that we discuss in Note 10 of the Notes to the Condensed Consolidated Financial Statements, could have a material adverse effect on SoCalGas’ and Sempra’s results of operations, financial condition, cash flows and/or prospects.

**Natural Gas Storage Operations and Reliability.** Natural gas withdrawn from storage is important for service reliability during peak demand periods, including peak electric generation needs in the summer and consumer heating needs in the winter. The Aliso Canyon natural gas storage facility is the largest SoCalGas storage facility and an important component of SoCalGas’ delivery system. In February 2017, the CPUC opened proceeding SB 380 OII to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility while still maintaining energy and electric reliability for the region, including considering alternative means for meeting or avoiding the demand for the facility’s services if it were eliminated.

At September 30, 2023, the Aliso Canyon natural gas storage facility had a net book value of \$993 million. If the Aliso Canyon natural gas storage facility were to be permanently closed or if future cash flows from its operation were otherwise insufficient to recover its carrying value, we may record an impairment of the facility, which could be material, or we could incur materially higher than expected operating costs and/or be required to make material additional capital expenditures (any or all of which may not be recoverable in rates), and natural gas reliability and electric generation could be jeopardized.

### ***Sempra Texas Utilities***

Oncor relies on external financing as a significant source of liquidity for its capital requirements. In the event that Oncor fails to meet its capital requirements, access sufficient capital, or raise capital on favorable terms to finance its ongoing needs, we may elect to make additional capital contributions to Oncor (as our commitments to the PUCT prohibit us from making loans to Oncor), which could be substantial and reduce the cash available to us for other purposes, increase our indebtedness and ultimately materially adversely affect our results of operations, financial condition, cash flows and/or prospects. Oncor’s ability to make distributions may be limited by factors such as its credit ratings, regulatory capital requirements, increases in its capital plan, debt-to-equity ratio approved by the PUCT and other restrictions and considerations. In addition, Oncor will not make distributions if a majority of Oncor’s independent directors or any minority member director determines it is in the best interests of Oncor to retain such amounts to meet expected future requirements.

### ***Capital Structure and Return on Equity***

In April 2023, the PUCT issued a final order in Oncor’s comprehensive base rate review. The final order sets Oncor’s authorized ROE at 9.7%, a decrease from its previously authorized ROE of 9.8%, and maintains Oncor’s authorized regulatory capital structure at 57.5% debt to 42.5% equity. The new rates became effective on May 1, 2023. In June 2023, the PUCT issued an order on rehearing in response to the motions for rehearing filed by Oncor and certain intervenor parties in the proceeding. The order on rehearing made certain technical and typographical corrections to the final order but otherwise affirmed the material provisions of the final order and did not require modification of the rates that went into effect on May 1, 2023. In September 2023, Oncor filed an appeal in Travis County District Court seeking judicial review of certain rate base disallowances and related expense effects of those disallowances in the PUCT’s order on rehearing.

### ***Off-Balance Sheet Arrangement***

Our investment in Oncor Holdings is a variable interest in an unconsolidated entity. We discuss variable interests in Note 1 of the Notes to Condensed Consolidated Financial Statements.

### ***Sempra Infrastructure***

Sempra Infrastructure expects to fund capital expenditures, investments and operations in part with available funds, including existing credit facilities, and cash flows from operations of the Sempra Infrastructure businesses. We expect Sempra Infrastructure will require additional funding for the development and expansion of its portfolio of projects, which may be financed through a combination of funding from the parent and minority interest owners, bank financing, issuances of debt, project financing, partnering in JVs and asset sales.

In the nine months ended September 30, 2023, Sempra Infrastructure distributed \$289 million to minority interest owners and minority interest owners contributed \$1,236 million to Sempra Infrastructure.

### *LNG and Net-Zero Solutions*

**Cameron LNG Phase 2 Project.** Cameron LNG JV is developing a proposed expansion project that would add one liquefaction train with an expected maximum production capacity of approximately 6.75 Mtpa and would increase the production capacity of the existing three trains at the Cameron LNG Phase 1 facility by up to approximately 1 Mtpa through debottlenecking activities. The Cameron LNG JV site can accommodate additional trains beyond the proposed Cameron LNG Phase 2 project.

Cameron LNG JV previously received major permits and FTA and non-FTA approvals associated with the potential expansion that included up to two additional liquefaction trains and up to two additional full containment LNG storage tanks. The non-FTA approval for the proposed Cameron LNG Phase 2 project includes, among other things, a May 2026 deadline to commence commercial exports, for which we expect to request an extension. In March 2023, the FERC approved Cameron LNG JV's request to amend the permits to allow the use of electric drives, instead of gas turbine drives, which would reduce overall emissions. The amendment also allows the design to be changed from a two-train gas turbine expansion to a one-train electric drive expansion along with other design enhancements that, together, are expected to result in a more cost-effective and efficient facility, while also reducing overall GHG emissions.

Sempra Infrastructure and the other Cameron LNG JV members, namely affiliates of TotalEnergies SE, Mitsui & Co., Ltd. and Japan LNG Investment, LLC, a company jointly owned by Mitsubishi Corporation and Nippon Yusen Kabushiki Kaisha, have entered into a non-binding HOA for the potential development of the Cameron LNG Phase 2 project. The non-binding HOA provides a commercial framework for the proposed project, including the contemplated allocation to SI Partners of 50.2% of the fourth train production capacity and 25% of the debottlenecking capacity from the project under tolling agreements. The non-binding HOA contemplates the remaining capacity to be allocated equally to the existing Cameron LNG Phase 1 facility customers. Sempra Infrastructure plans to sell the LNG corresponding to its allocated capacity from the proposed Cameron LNG Phase 2 project under long-term SPAs prior to making a final investment decision. The ultimate participation in and offtake by Sempra Infrastructure, TotalEnergies SE, Mitsui & Co., Ltd. and Japan LNG Investment, LLC remain subject to negotiation and finalization of definitive agreements, among other factors, and the non-binding HOA does not commit any party to enter into definitive agreements with respect to the proposed Cameron LNG Phase 2 project.

Sempra Infrastructure, the other Cameron LNG JV members, and Cameron LNG JV have entered into a Phase 2 Project Development Agreement under which Sempra Infrastructure, subject to certain conditions and ongoing approvals by the Cameron LNG JV board, will manage and lead the Cameron LNG Phase 2 project development work until Cameron LNG JV makes a final investment decision.

In April 2022, Cameron LNG JV, upon the unanimous approval of the Cameron LNG JV board, awarded two FEED contracts, one to Bechtel and the other to a joint venture between JGC America Inc. and Zachry Industrial Inc.

In connection with the execution of the Phase 2 Project Development Agreement and the award of the FEED contracts, the Cameron LNG JV board unanimously approved an expansion development budget to fund, subject to the terms of the Phase 2 Project Development Agreement, development work to prepare for a potential final investment decision.

In July 2023, Cameron LNG JV informed Bechtel that it has been selected to perform additional value engineering work on the proposed Cameron LNG Phase 2 project, which we expect will continue through the end of 2023. The parties are negotiating the terms and conditions of a definitive EPC contract for the project. The current arrangement with Bechtel does not commit any party to enter into a definitive EPC contract or to otherwise participate in the project.

Cameron LNG JV has entered into a non-binding MOU with Entergy Louisiana, LLC, a subsidiary of Entergy Corporation, to negotiate the terms and conditions for a new electric service agreement intended to reduce Cameron LNG JV's scope 2 emissions from the electricity it purchases from Entergy Louisiana, LLC. The non-binding MOU sets forth a framework for Entergy Louisiana, LLC and Cameron LNG JV to finalize and sign a minimum 20-year agreement for the procurement of new renewable generation resources in Louisiana, subject to the approval of the renewable tariff by the Louisiana Public Service Commission. The ultimate arrangement between Cameron LNG JV and Entergy Louisiana, LLC remains subject to negotiation and finalization of definitive agreements, among other factors, and the non-binding MOU does not commit any party to enter into definitive agreements with respect to the proposed electric services agreement.

Sempra Infrastructure has entered into a non-binding HOA for the negotiation and potential finalization of a definitive 20-year SPA with ORLEN for 2 Mtpa of LNG offtake from the proposed Cameron LNG Phase 2 project. The ultimate participation in and offtake from the proposed project remains subject to negotiation and finalization of a definitive agreement, among other factors, and the non-binding HOA does not commit any party to enter into a definitive agreement with respect to the proposed project. Sempra Infrastructure also entered into a non-binding HOA with Williams for the negotiation of potential LNG offtake from, and feed gas supply to, the PA LNG Phase 2 project and Cameron LNG Phase 2 project that are under development, as well as a

potential strategic JV related to the existing Cameron Interstate Pipeline and the proposed Port Arthur Pipeline Louisiana Connector. The term of this non-binding HOA ended in March 2023.

Expansion of the Cameron LNG Phase 1 facility beyond the first three trains is subject to certain restrictions and conditions under the JV project financing agreements, including among others, scope restrictions on expansion of the project unless appropriate prior consent is obtained from the existing project lenders. Under the Cameron LNG JV equity agreements, the expansion of the project requires the unanimous consent of all the partners, including with respect to the equity investment obligation of each partner. Working under the framework established in the Phase 2 Project Development Agreement, Sempra Infrastructure and the other Cameron LNG JV members are investing additional time upfront to reduce construction risk and project costs and better optimize the construction schedule. We expect this process to continue through the end of 2023 and expect to be in a position to make a final investment decision in 2024, subject to executing an EPC contract, securing project financing, and extending the commercial export deadline under the project's non-FTA approval.

Development of the proposed Cameron LNG Phase 2 project is subject to numerous risks and uncertainties, including securing binding customer commitments; reaching unanimous agreement with our partners to proceed; obtaining, modifying and maintaining permits and regulatory approvals; sufficiently reducing construction risks and project costs; securing certain consents under the existing financing agreements and obtaining sufficient new financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, tolling and governance agreements; reaching a positive final investment decision; and other factors associated with this potential investment. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

**ECA LNG Phase 1 Project.** SI Partners owns an 83.4% interest in ECA LNG Phase 1, and an affiliate of TotalEnergies SE owns the remaining 16.6% interest. ECA LNG Phase 1 is constructing a one-train natural gas liquefaction facility at the site of Sempra Infrastructure's existing ECA Regas Facility with a nameplate capacity of 3.25 Mtpa and an initial offtake capacity of 2.5 Mtpa. We do not expect the construction or operation of the ECA LNG Phase 1 project to disrupt operations at the ECA Regas Facility. We expect the ECA LNG Phase 1 project to commence commercial operations in the summer of 2025.

We received authorizations from the DOE to export U.S.-produced natural gas to Mexico and to re-export LNG to non-FTA countries from the ECA LNG Phase 1 project. ECA LNG Phase 1 has definitive 20-year SPAs with an affiliate of TotalEnergies SE for approximately 1.7 Mtpa of LNG and with Mitsui & Co., Ltd. for approximately 0.8 Mtpa of LNG.

In February 2020, we entered into an EPC contract with Technip Energies for the ECA LNG Phase 1 project. Since reaching a positive final investment decision with respect to the project in November 2020, Technip Energies has been working to construct the ECA LNG Phase 1 project. We estimate the total price of the EPC contract to be approximately \$1.5 billion, with capital expenditures approximating \$2 billion including capitalized interest and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ substantially from our estimates.

ECA LNG Phase 1 has a five-year loan agreement with a syndicate of seven external lenders that matures in December 2025 for an aggregate principal amount of up to \$1.3 billion, of which \$782 million was outstanding at September 30, 2023. Proceeds from the loan are being used to finance the cost of construction of the ECA LNG Phase 1 project. We discuss the details of this loan in Note 6 of the Notes to Condensed Consolidated Financial Statements in this report and in Note 7 of the Notes to Consolidated Financial Statements in the Annual Report.

Construction of the ECA LNG Phase 1 project is subject to numerous risks and uncertainties, including maintaining permits and regulatory approvals; construction delays; negotiating, completing and maintaining suitable commercial agreements, including definitive gas supply and transportation agreements; the impact of recent and proposed changes to the law in Mexico; as we discuss in Note 10 of the Notes to Condensed Consolidated Financial Statements, an unfavorable decision on certain property disputes and permit challenges that could materially adversely affect construction of this project; and other factors associated with the project and its construction. An unfavorable outcome with respect to any of these factors could have a material adverse effect on Sempra's results of operations, financial condition, cash flows and/or prospects, including the impairment of all or a substantial portion of the capital costs invested in the project to date. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

**ECA LNG Phase 2 Project.** Sempra Infrastructure is developing a second, large-scale natural gas liquefaction project at the site of its existing ECA Regas Facility. We expect the proposed ECA LNG Phase 2 project to be comprised of two trains and one LNG storage tank and produce approximately 12 Mtpa of export capacity. We expect that construction of the proposed ECA LNG Phase 2 project would conflict with the current operations at the ECA Regas Facility, which currently has long-term regasification contracts for 100% of the regasification facility's capacity through 2028. This makes the decisions on whether, when and how to pursue the proposed ECA LNG Phase 2 project dependent in part on whether the investment in a large-scale liquefaction facility

would, over the long term, be more beneficial financially than continuing to supply regasification services under our existing contracts.

We received authorizations from the DOE to export U.S.-produced natural gas to Mexico and to re-export LNG to non-FTA countries from the proposed ECA LNG Phase 2 project.

We have non-binding MOUs and/or HOAs with Mitsui & Co., Ltd., TotalEnergies SE, and ConocoPhillips that provide a framework for their potential offtake of LNG from the proposed ECA LNG Phase 2 project and potential acquisition of an equity interest in ECA LNG Phase 2. The ultimate participation in and offtake by these parties remains subject to negotiation and finalization of definitive agreements, among other factors, and the non-binding MOUs and/or HOAs do not commit any party to enter into definitive agreements with respect to the proposed ECA LNG Phase 2 project.

Development of the proposed ECA LNG Phase 2 project is subject to numerous risks and uncertainties, including securing binding customer commitments; obtaining and maintaining permits and regulatory approvals; obtaining financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, equity acquisition, governance, LNG sales, gas supply and transportation agreements; reaching a positive final investment decision; the impact of recent and proposed changes to the law in Mexico; the property disputes and permit challenges that we reference in the ECA LNG Phase 1 project discussion above; and other factors associated with this potential investment. For a discussion of these risks, see “Part I – Item 1A. Risk Factors” in the Annual Report.

**PA LNG Phase 1 Project.** Since making a positive final investment decision in March 2023, Sempra Infrastructure is constructing a natural gas liquefaction project on a greenfield site that it owns in the vicinity of Port Arthur, Texas, located along the Sabine-Neches waterway. The PA LNG Phase 1 project will consist of two liquefaction trains, two LNG storage tanks, a marine berth and associated loading facilities and related infrastructure necessary to provide liquefaction services with a nameplate capacity of approximately 13 Mtpa and an initial offtake capacity of approximately 10.5 Mtpa. We expect the first and second trains of the PA LNG Phase 1 project to commence commercial operations in 2027 and 2028, respectively.

In April 2019, the FERC approved the siting, construction and operation of the PA LNG Phase 1 project facilities, along with certain natural gas pipelines, including the Port Arthur Pipeline Louisiana Connector and Texas Connector, that could be used to supply feed gas to the liquefaction facility when the project is completed. Sempra Infrastructure received authorizations from the DOE in August 2015 and May 2019 that collectively permit the LNG to be produced from the PA LNG Phase 1 project to be exported to all current and future FTA and non-FTA countries. In June 2023, Port Arthur LNG submitted an amendment to its FERC order requesting authorization to increase its work force and implement a 24-hours-per-day construction schedule in order to further enhance construction efficiency while reducing temporal impacts to the community and environment in the vicinity of the project. If approved, the amendment would also provide the EPC contractor with more optionality to meet or exceed the project’s construction schedule, subject to the timing of FERC approval of the amendment. The FERC has published a schedule that anticipates the issuance of an environmental assessment for the project in December 2023.

Sempra Infrastructure has definitive SPAs for LNG offtake from the PA LNG Phase 1 project with:

- an affiliate of ConocoPhillips for a 20-year term for 5 Mtpa of LNG, as well as a natural gas supply management agreement whereby an affiliate of ConocoPhillips will manage the feed gas supply requirements for the PA LNG Phase 1 project.
- RWE Supply & Trading GmbH, a subsidiary of RWE AG, for a 15-year term for 2.25 Mtpa of LNG.
- INEOS for a 20-year term for approximately 1.4 Mtpa of LNG.
- ORLEN for a 20-year term for approximately 1 Mtpa of LNG.
- ENGIE S.A. for a 15-year term for approximately 0.875 Mtpa of LNG.

In February 2020, we entered into an EPC contract, as amended and restated in October 2022, with Bechtel for the PA LNG Phase 1 project. In March 2023, we issued a final notice to proceed under the EPC contract, which has an estimated price of approximately \$10.7 billion after change orders. We estimate the capital expenditures for the PA LNG Phase 1 project will be approximately \$13 billion including capitalized interest at the project level and project contingency. The actual cost of the EPC contract and the actual amount of these capital expenditures may differ substantially from our estimates.

As we discuss in Note 1 of the Notes to Condensed Consolidated Financial Statements, in March 2023, an indirect subsidiary of SI Partners completed the sale of an indirect 30% NCI in the PA LNG Phase 1 project to an affiliate of ConocoPhillips for aggregate cash consideration of approximately \$254 million, subject to customary post-closing adjustments. We used the proceeds from this sale for capital expenditures and other general corporate purposes. In connection with this sale, both SI Partners and ConocoPhillips provided guarantees relating to their respective affiliate’s commitment to make its pro rata equity share of capital contributions to fund 110% of the development budget of the PA LNG Phase 1 project, in an aggregate amount of up to \$9.0 billion. SI Partners’ guarantee covers 70% of this amount plus enforcement costs of its guarantee.



As we discuss in Note 1 of the Notes to Condensed Consolidated Financial Statements, in September 2023, an indirect subsidiary of SI Partners completed the sale of an indirect 42% NCI in the PA LNG Phase 1 project to KKR Denali for aggregate cash consideration of approximately \$984 million, including its pro rata equity share of development costs incurred prior to the closing that exceeded \$439 million, subject to customary post-closing adjustments. We intend to use the proceeds from this sale for capital expenditures and other general corporate purposes.

Upon closing the sale of NCI to KKR Denali, Sempra holds an indirect interest in the PA LNG Phase 1 project of 19.6%.

As we discuss in Note 6 of the Notes to Condensed Consolidated Financial Statements, in March 2023, Port Arthur LNG entered into a seven-year term loan facility agreement with a syndicate of lenders for an aggregate principal amount of approximately \$6.8 billion and an initial working capital facility agreement for up to \$200 million. The facilities mature on March 20, 2030. Proceeds from the loans will be used to finance the cost of construction of the PA LNG Phase 1 project. At September 30, 2023, \$243 million of borrowings were outstanding under the term loan facility agreement.

Construction of the PA LNG Phase 1 project is subject to numerous risks and uncertainties, including maintaining and modifying permits and regulatory approvals; construction delays; negotiating, completing and maintaining suitable commercial agreements, including definitive gas supply and transportation agreements; and other factors associated with the project and its construction. An unfavorable outcome with respect to any of these factors could have a material adverse effect on Sempra's results of operations, financial condition, cash flows and/or prospects, including the impairment of all or a substantial portion of the capital costs invested in the project to date. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

**PA LNG Phase 2 Project.** Sempra Infrastructure is developing a second phase of the natural gas liquefaction project that we expect will be a similar size to the PA LNG Phase 1 project. We are progressing the development of the proposed PA LNG Phase 2 project, while continuing to evaluate overall opportunities to develop the entirety of the Port Arthur site as well as potential design changes that could reduce overall emissions, including a facility design utilizing renewable power sourcing and other technological solutions.

In September 2023, the FERC approved the siting, construction and operation of the proposed PA LNG Phase 2 project, including the potential addition of up to two liquefaction trains. In February 2020, Sempra Infrastructure filed an application with the DOE to permit LNG produced from the proposed PA LNG Phase 2 project to be exported to all current and future FTA and non-FTA countries.

Sempra Infrastructure has entered into a non-binding HOA for the negotiation and potential finalization of a definitive SPA with INEOS for approximately 0.2 Mtpa of LNG offtake from the proposed PA LNG Phase 2 project. The ultimate participation in and offtake from the proposed project remains subject to negotiation and finalization of a definitive agreement, among other factors, and the non-binding HOA does not commit any party to enter into a definitive agreement with respect to the proposed project.

Development of the proposed PA LNG Phase 2 project is subject to numerous risks and uncertainties, including securing binding customer commitments; identifying suitable project and equity partners; obtaining and maintaining permits and regulatory approvals; obtaining financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, equity acquisition, governance, LNG sales, gas supply and transportation agreements; reaching a positive final investment decision; and other factors associated with this potential investment. For a discussion of these risks, see "Part I – Item 1A. Risk Factors" in the Annual Report.

**Vista Pacifico LNG Liquefaction Project.** Sempra Infrastructure is developing the Vista Pacifico LNG project, a potential natural gas liquefaction, storage, and mid-scale export facility proposed to be located in the vicinity of Topolobampo in Sinaloa, Mexico, under a non-binding MOU with the CFE that contemplates the negotiation of definitive agreements that would cover development of the Vista Pacifico LNG project. The proposed LNG export terminal would be supplied with U.S. natural gas and would use excess natural gas and pipeline capacity on existing pipelines in Mexico with the intent of helping to meet growing demand for natural gas and LNG in the Mexican and Pacific markets.

Sempra Infrastructure received authorization from the DOE to permit the export of U.S.-produced natural gas to Mexico and for LNG produced from the proposed Vista Pacifico LNG facility to be re-exported to all current and future FTA countries and non-FTA countries.

In March 2022, TotalEnergies SE and Sempra Infrastructure entered into a non-binding MOU that contemplates TotalEnergies SE potentially contracting approximately one-third of the long-term export production of the proposed Vista Pacifico LNG project and potentially participating as a minority partner in the project.

The ultimate participation in and offtake from the proposed project remain subject to negotiation and finalization of definitive agreements, among other factors, and the non-binding MOUs do not commit any party to enter into definitive agreements with respect to the project.

Development of the proposed Vista Pacifico LNG project is subject to numerous risks and uncertainties, including securing binding customer commitments; identifying suitable project and equity partners; obtaining and maintaining permits and regulatory approvals; obtaining financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, equity acquisition, governance, LNG sales, gas supply and transportation agreements; reaching a positive final investment decision; the impact of recent and proposed changes to the law in Mexico; and other factors associated with this potential investment. For a discussion of these risks, see “Part I – Item 1A. Risk Factors” in the Annual Report.

**Hackberry Carbon Sequestration Project.** Sempra Infrastructure is developing the potential Hackberry Carbon Sequestration project near Hackberry, Louisiana. This proposed project under development is designed to permanently sequester carbon dioxide from the Cameron LNG Phase 1 facility and the proposed Cameron LNG Phase 2 project. In the third quarter of 2021, Sempra Infrastructure filed an application with the EPA for a Class VI carbon injection well to advance this project.

In May 2022, Sempra Infrastructure, TotalEnergies SE, Mitsui & Co., Ltd. and Mitsubishi Corporation signed a Participation Agreement for the development of the proposed Hackberry Carbon Sequestration project. In May 2023, the Participation Agreement was amended and restated in connection with ongoing progress of the work program and budget for the proposed project. The Participation Agreement contemplates that the combined Cameron LNG Phase 1 facility and proposed Cameron LNG Phase 2 project would potentially serve as the anchor source for the capture and sequestration of carbon dioxide by the proposed project. It also provides the basis for the parties to acquire an equity interest by entering into a JV with Sempra Infrastructure for the Hackberry Carbon Sequestration project. In addition to the amended and restated Participation Agreement, in May 2023, Sempra Infrastructure and Cameron LNG JV entered into a non-binding HOA, which sets forth a framework for further development of the Hackberry Carbon Sequestration project.

Development of the proposed Hackberry Carbon Sequestration project is subject to numerous risks and uncertainties, including securing binding customer commitments; obtaining required consents from the Cameron LNG JV members; identifying suitable project and equity partners; obtaining and maintaining permits and regulatory approvals; obtaining financing; negotiating, completing and maintaining suitable commercial agreements, including definitive EPC, equity acquisition and governance agreements; reaching a positive final investment decision; and other factors associated with this potential investment. For a discussion of these risks, see “Part I – Item 1A. Risk Factors” in the Annual Report.

**Off-Balance Sheet Arrangements.** Our investment in Cameron LNG JV is a variable interest in an unconsolidated entity. We discuss variable interests in Note 1 of the Notes to Condensed Consolidated Financial Statements.

In June 2021, Sempra provided a promissory note, which constitutes a guarantee, for the benefit of Cameron LNG JV with a maximum exposure to loss of \$165 million. The guarantee will terminate upon full repayment of Cameron LNG JV’s debt, scheduled to occur in 2039, or replenishment of the amount withdrawn by Sempra Infrastructure from the SDSRA. We discuss this guarantee in Note 5 of the Notes to Condensed Consolidated Financial Statements.

In July 2020, Sempra entered into a Support Agreement, which contains a guarantee and represents a variable interest, for the benefit of CFIN with a maximum exposure to loss of \$979 million. The guarantee will terminate upon full repayment of the guaranteed debt by 2039, including repayment following an event in which the guaranteed debt is put to Sempra. We discuss this guarantee in Notes 1, 5 and 8 of the Notes to Condensed Consolidated Financial Statements.

### *Energy Networks*

**Sonora Pipeline.** Sempra Infrastructure’s Sonora natural gas pipeline consists of two segments, the Sasabe-Puerto Libertad-Guaymas segment and the Guaymas-El Oro segment. Each segment has its own service agreement with the CFE.

A portion of the Guaymas-El Oro segment of the Sonora natural gas pipeline crosses into territory owned by the Yaqui tribe who, with the exception of some members living in the Bécum community, granted its consent and a right-of-way easement agreement for the pipeline in its territory. Following the start of commercial operations of the Guaymas-El Oro segment, Sempra Infrastructure reported damage to the pipeline in the Yaqui territory that has made that section inoperable since August 2017. Legal challenges raised by representatives of the Bécum community, which we discuss in Note 10 of the Notes to Condensed Consolidated Financial Statements, have prevented Sempra Infrastructure from making repairs to put the pipeline back in service. Such legal challenges were definitively resolved in March 2023 based on the agreement by the CFE and Sempra Infrastructure to re-route the portion of the pipeline that is in the Yaqui territory.

Discussions with the CFE regarding the future of the pipeline are ongoing in accordance with a non-binding MOU announced in January 2022 that, among other matters, addresses efforts to proceed with re-routing a portion of the pipeline, which will require either an extension of the service start date, as discussed below, or a separate definitive arrangement between Sempra Infrastructure and the CFE concerning the restarting of service on the pipeline. In July 2022, Sempra Infrastructure and the CFE entered into a Shareholders’ Agreement that establishes a framework for a JV between the parties to work on restarting service on

the pipeline, including the potential re-routing of a portion of the pipeline. This agreement is subject to a number of conditions to be satisfied before it becomes effective, including regulatory and corporate authorizations.

In September 2019, Sempra Infrastructure and the CFE reached an agreement to modify the tariff structure and extend the term of the contract by 10 years. Under the revised agreement, the CFE will resume making payments only when the damaged section of the Guaymas-El Oro segment of the Sonora pipeline is back in service. If the parties do not agree on a definitive arrangement to re-route a portion of the pipeline or the parties do not agree on a new service start date by November 30, 2023, Sempra Infrastructure retains the right to terminate the contract and seek to recover its reasonable and documented costs and lost profits.

At September 30, 2023, Sempra Infrastructure had \$411 million in PP&E, net, related to the Guaymas-El Oro segment of the Sonora pipeline, which could be subject to impairment if Sempra Infrastructure is unable to re-route a portion of the pipeline (which has not been agreed to by the parties, but is subject to negotiation pursuant to a non-binding MOU and a Shareholders' Agreement, as described above) and resume operations or if Sempra Infrastructure terminates the contract and is unable to obtain recovery, which in each case could have a material adverse effect on Sempra's business, results of operations, financial condition, cash flows and/or prospects.

**Refined Products Terminals.** In May 2022, Sempra Infrastructure substantially completed construction of a terminal for the receipt, storage, and delivery of refined products in Topolobampo, at which time commissioning activities commenced. We expect the Topolobampo terminal will commence commercial operations in the first half of 2024, subject to receipt of the CRE's approval of the regulated rates.

Sempra Infrastructure is also developing terminals for the receipt, storage, and delivery of refined products in the vicinity of Manzanillo and Ensenada.

Development and construction of refined products terminals is subject to a number of risks and uncertainties. For a discussion of these risks and uncertainties, see "Part I – Item 1A. Risk Factors" in the Annual Report.

**Port Arthur Pipeline Louisiana Connector.** Sempra Infrastructure has begun the procurement and engineering activities related to the construction of the Port Arthur Pipeline Louisiana Connector, a 72-mile pipeline connecting the PA LNG Phase 1 project to Gillis, Louisiana. In April 2019, the FERC approved the siting, construction and operation of the Port Arthur Pipeline Louisiana Connector, which will be used to supply feed gas to the PA LNG Phase 1 project. In July 2023, Sempra Infrastructure filed a limited amendment application with the FERC to implement construction process enhancements and minor modifications to several discrete sections of the Port Arthur Pipeline Louisiana Connector. These modifications are intended to decrease environmental impacts, accommodate landowner routing requests and enhance construction procedures. The FERC has published a schedule that anticipates the issuance of an environmental assessment for the project in February 2024. We expect the Port Arthur Pipeline Louisiana Connector to be ready for service ahead of the PA LNG Phase 1 project's gas requirements. We estimate the capital expenditures for the project will be approximately \$1 billion, including capitalized interest at the project level and project contingency. The actual amount of these capital expenditures may differ substantially from our estimates.

Development and construction of the Port Arthur Pipeline Louisiana Connector is subject to a number of risks and uncertainties. For a discussion of these risks and uncertainties, see "Part I – Item 1A. Risk Factors" in the Annual Report.

**Louisiana (LA) Storage.** Sempra Infrastructure has begun the procurement and engineering activities related to the construction of LA Storage, a 12.5 Bcf salt dome natural gas storage facility to support the PA LNG Phase 1 project. The construction includes an 11-mile pipeline that will connect to the Port Arthur Pipeline Louisiana Connector. In September 2022, the FERC approved the development of the project. We expect LA Storage to be ready for service in time to support the needs of the PA LNG Phase 1 project. We estimate the capital expenditures for the project will be approximately \$300 million, including capitalized interest at the project level and project contingency. The actual amount of these capital expenditures may differ substantially from our estimates.

Development and construction of LA Storage is subject to a number of risks and uncertainties. For a discussion of these risks and uncertainties, see "Part I – Item 1A. Risk Factors" in the Annual Report.

### Legal and Regulatory Matters

See Note 10 of the Notes to Condensed Consolidated Financial Statements in this report and “Part I – Item 1A. Risk Factors” in the Annual Report for discussions of the following legal and regulatory matters affecting our operations in Mexico:

#### Energía Costa Azul

- [Land Disputes](#)
- [Environmental and Social Impact Permits](#)

One or more unfavorable final decisions on these land disputes or environmental and social impact permit challenges could materially adversely affect our existing natural gas regasification operations and proposed natural gas liquefaction projects at the site of the ECA Regas Facility and have a material adverse effect on Sempra’s business, results of operations, financial condition, cash flows and/or prospects.

#### Regulatory and Other Actions by the Mexican Government

- [Amendments to Mexico’s Hydrocarbons Law](#)
- [Amendments to Mexico’s Electricity Industry Law](#)

Sempra Infrastructure and other parties affected by these amendments to Mexican law have challenged them by filing amparo and other claims, some of which remain pending. An unfavorable decision on one or more of these amparo or other challenges, the impact of the amendments that have become effective (due to unsuccessful amparo challenges or otherwise), or the possibility of future reforms to the energy industry through additional amendments to Mexican laws, regulations or rules (including through amendments to the constitution) may impact our ability to operate our facilities at existing levels or at all, may result in increased costs for Sempra Infrastructure and its customers, may adversely affect our ability to develop new projects, may result in decreased revenues and cash flows, and may negatively impact our ability to recover the carrying values of our investments in Mexico, any of which may have a material adverse effect on Sempra’s business, results of operations, financial condition, cash flows and/or prospects.

### SOURCES AND USES OF CASH

The following tables include only significant changes in cash flow activities for each of our registrants.

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>(Dollars in millions)</i>			
Nine months ended September 30,	Sempra	SDG&E	SoCalGas
2023	\$ 5,129	\$ 1,484	\$ 1,264
2022	1,455	1,368	(762)
Change	\$ 3,674	\$ 116	\$ 2,026
Lower net decrease in Reserve for Aliso Canyon costs, current and noncurrent, due to \$2,089 lower payments offset by \$258 lower accruals	\$ 1,831		\$ 1,831
Change in net margin posted	1,201	\$ (62)	
Change in income taxes receivable/payable, net	371	70	
Higher net income, adjusted for noncash items included in earnings	338		466
Change in accounts receivable	315	(179)	242
Change in net regulatory assets/liabilities, current and noncurrent	260	314	(51)
Change in deferred revenue	111		
Higher GHG emission obligations	77		68
Change in collateral held in lieu of a customer’s letters of credit	(76)		
Proceeds received in 2022 from insurance receivable for Aliso Canyon costs	(350)		(350)
Change in accounts payable	(583)	(89)	(291)
Change in prepaid expenses		23	
Change in interest payable		22	
Change in amounts due to/from unconsolidated affiliates		(91)	50
Other	179	108	61
	\$ 3,674	\$ 116	\$ 2,026

**CASH FLOWS FROM INVESTING ACTIVITIES**
*(Dollars in millions)*

Nine months ended September 30,	Sempra	SDG&E	SoCalGas
2023	\$ (6,304)	\$ (1,838)	\$ (1,451)
2022	(3,183)	(1,643)	(1,394)
Change	\$ (3,121)	\$ (195)	\$ (57)
Increase in capital expenditures	\$ (2,534)	\$ (242)	\$ (57)
Repayment in 2022 of note receivable from IMG	(626)		
Other	39	47	
	\$ (3,121)	\$ (195)	\$ (57)

**CASH FLOWS FROM FINANCING ACTIVITIES**
*(Dollars in millions)*

Nine months ended September 30,	Sempra	SDG&E	SoCalGas
2023	\$ 2,198	\$ 593	\$ 192
2022	1,936	469	2,172
Change	\$ 262	\$ 124	\$ (1,980)
Change in borrowings and repayments of short-term debt, net	\$ 2,067	\$ 196	\$ 278
Higher contributions from NCI	1,021		
Lower repurchases of common stock	446		
Higher (lower) issuances of short-term debt with maturities greater than 90 days	205		(800)
Higher common dividends paid	(39)		
Settlement of cross-currency swaps	(99)		
Higher distributions to NCI	(143)		
Lower proceeds from sales of NCI	(494)		
Higher payments on long-term debt and finance leases	(725)	(438)	(305)
(Higher) lower payments for commercial paper and other short-term debt with maturities greater than 90 days	(1,928)	375	(800)
Equity contribution from Sempra in 2022			(650)
Higher issuances of long-term debt			300
Other	(49)	(9)	(3)
	\$ 262	\$ 124	\$ (1,980)

**Capital Expenditures and Investments**
**CAPITAL EXPENDITURES AND INVESTMENTS**
*(Dollars in millions)*

	Nine months ended September 30,	
	2023	2022
SDG&E	\$ 1,893	\$ 1,651
SoCalGas	1,451	1,394
Sempra Texas Utilities	270	256
Sempra Infrastructure	2,736	508
Parent and other	5	6
Total	\$ 6,355	\$ 3,815

Having reached a positive final investment decision for the PA LNG Phase 1 project and Oncor having received a final order from the PUCT in its comprehensive base rate review, we have updated our expected capital expenditures and investments from what we disclosed in “Part II – Item 7. MD&A – Capital Resources and Liquidity” in the Annual Report. From 2023 through 2027, we expect to make aggregate capital expenditures and investments of approximately \$38.6 billion, subject to the factors described below, which could cause these estimates to vary substantially. Capital expenditure amounts include capitalized interest and AFUDC related to debt.

When (i) including Sempra’s proportionate ownership interest in expected capital expenditures at unconsolidated equity method investees while excluding Sempra’s expected capital contributions to those unconsolidated equity method investees and (ii)

excluding NCI's proportionate ownership interest in expected capital expenditures at Sempra and at unconsolidated equity method investees, we expect capital expenditures from 2023 through 2027 to total \$40 billion. This \$40 billion expectation reflects an increase compared to the aggregate capital expenditures, calculated in the same manner, that we forecasted in 2017 for the period from 2017 through 2021, which was \$15 billion. We further expect a 10% to 20% utility-focused increase above this \$40 billion amount when we update our capital expenditures plan for 2024 through 2028.

Our utilities represent approximately 90% of this \$40 billion capital expenditures plan. We expect this significant capital investment in transmission and distribution improvements at our regulated public utilities to increase our utilities' rate base, which has grown approximately 3.2 times from 2017 to 2022, based on a rate base of \$8.5 billion and \$5.5 billion at SDG&E and SoCalGas, respectively, in 2017 compared to \$13.8 billion, \$10.5 billion, \$20.7 billion, and \$256 million at SDG&E, SoCalGas, Oncor, and Sharyland Utilities, L.L.C., respectively, in 2022. For SDG&E and SoCalGas, rate base is the value of assets on which SDG&E and SoCalGas are permitted to earn a specified rate of return in accordance with rules set by regulatory agencies, including the CPUC and, for SDG&E, the FERC, which is calculated using a 13-month weighted average in accordance with CPUC methodology as adopted in rate-setting proceedings. For Oncor and Sharyland Utilities, L.L.C., rate base represents the total estimated invested capital, as adjusted in accordance with PUCT rules, at the end of the previous calendar year as reported in the Earnings Monitoring Report filed with the PUCT on an annual basis.

In 2023, we expect to make capital expenditures and investments of approximately \$9.4 billion, which is an increase from the \$5.7 billion projected in "Part II – Item 7. MD&A – Capital Resources and Liquidity" in the Annual Report. The increase is primarily attributable to an increase of \$3.4 billion at Sempra Infrastructure primarily related to the PA LNG Phase 1 project, an increase of \$200 million at SDG&E related to energy storage projects and an increase of \$100 million at Sempra Texas Utilities. We expect the majority of our capital expenditures and investments in 2023 will relate to construction of the PA LNG Phase 1 project, ECA LNG Phase 1 project and natural gas pipelines at Sempra Infrastructure, and transmission and distribution improvements at our regulated public utilities.

Our level of capital expenditures and investments in the next few years may vary substantially and will depend on, among other things, the cost and availability of financing, regulatory approvals, changes in tax law and business opportunities providing desirable rates of return. See "Part I – Item 1A. Risk Factors" in the Annual Report for a discussion of these and other factors that could affect future levels of our capital expenditures and investments. We intend to finance our capital expenditures in a manner that will maintain our investment-grade credit ratings and capital structure, but there is no guarantee that we will be able to do so.

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## CRITICAL ACCOUNTING ESTIMATES

Management views certain accounting estimates as critical because their application is the most relevant, judgmental and/or material to our financial position and results of operations, and/or because they require the use of material judgments and estimates. We discuss critical accounting estimates in "Part II – Item 7. MD&A" in the Annual Report.

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## NEW ACCOUNTING STANDARDS

We discuss any recent accounting pronouncements that have had or may have a significant effect on our financial statements and/or disclosures in Note 2 of the Notes to Condensed Consolidated Financial Statements.

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## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We provide disclosure regarding derivative activity in Note 7 of the Notes to Condensed Consolidated Financial Statements. We discuss our market risk and risk policies in detail in "Part II – Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the Annual Report.

## COMMODITY PRICE RISK

Sempra Infrastructure is exposed to commodity price risk indirectly through its LNG, natural gas pipelines and storage, and power-generating assets. In the first nine months of 2023, a hypothetical 10% change in commodity prices would have resulted in

a change in the fair value of our commodity-based natural gas and electricity derivatives of \$16 million at September 30, 2023 compared to \$24 million at December 31, 2022.

The one-day value at risk for SDG&E's and SoCalGas' commodity positions were \$2 million and \$14 million, respectively, at September 30, 2023 compared to \$25 million and \$2 million, respectively, at December 31, 2022.

## INTEREST RATE RISK

The table below shows the nominal amount of our debt:

NOMINAL AMOUNT OF DEBT <sup>(1)</sup>						
(Dollars in millions)						
	September 30, 2023			December 31, 2022		
	Sempra	SDG&E	SoCalGas	Sempra	SDG&E	SoCalGas
<b>Short-term:</b>						
Sempra California	\$ 421	\$ —	\$ 421	\$ 1,105	\$ 205	\$ 900
Other	1,558	—	—	2,247	—	—
<b>Long-term:</b>						
Sempra California fixed-rate	\$ 15,109	\$ 8,350	\$ 6,759	\$ 13,159	\$ 7,400	\$ 5,759
Sempra California variable-rate	400	400	—	700	400	300
Other fixed-rate	11,322	—	—	10,079	—	—
Other variable-rate	826	—	—	575	—	—

<sup>(1)</sup> After the effects of interest rate swaps. Before reductions for unamortized discount and debt issuance costs and excluding finance lease obligations.

An interest rate risk sensitivity analysis measures interest rate risk by calculating the estimated changes in earnings attributable to common shares (but disregarding capitalized interest and impacts on equity earnings from debt at our equity method investees) that would result from a hypothetical change in market interest rates. Earnings attributable to common shares are affected by changes in interest rates on short-term debt and variable-rate long-term debt. If weighted-average interest rates on short-term debt outstanding at September 30, 2023 increased or decreased by 10%, the change in earnings attributable to common shares over the 12-month period ending September 30, 2024 would be approximately \$7 million. If interest rates increased or decreased by 10% on all variable-rate long-term debt at September 30, 2023, after considering the effects of interest rate swaps, the change in earnings attributable to common shares over the 12-month period ending September 30, 2024 would be approximately \$4 million.

## FOREIGN CURRENCY EXCHANGE RATE RISK AND INFLATION EXPOSURE

We discuss our foreign currency exchange rate risk and inflation exposure in "Part I – Item 2. MD&A – Impact of Foreign Currency and Inflation Rates on Results of Operations" in this report and in "Part II – Item 7. MD&A – Impact of Foreign Currency and Inflation Rates on Results of Operations" in the Annual Report. At September 30, 2023, there were no significant changes to our exposure to foreign currency exchange rate risk since December 31, 2022.

In 2022 and 2023 to date, SDG&E and SoCalGas have experienced inflationary pressures from increases in various costs, including the cost of natural gas, electric fuel and purchased power, labor, materials and supplies, as well as availability of labor and materials. Sempra Texas Utilities has experienced increased costs of labor and materials and does not have specific regulatory mechanisms that allow for recovery of higher costs due to inflation; rather, recovery is limited to rate updates through capital trackers and base rate reviews, which may result in partial non-recovery due to the regulatory lag. If such costs continue to be subject to significant inflationary pressures and we are not able to fully recover such higher costs in rates or there is a delay in recovery, these increased costs may have a significant effect on Sempra's, SDG&E's and SoCalGas' results of operations, financial condition, cash flows and/or prospects.

Sempra Infrastructure has experienced inflationary pressures from increases in various costs, including the cost of labor, materials and supplies. Sempra Infrastructure generally secures long-term contracts that are U.S. dollar-denominated or referenced and are periodically adjusted for market factors, including inflation, and Sempra Infrastructure generally enters into lump-sum contracts for its large construction projects in which much of the risk during construction is absorbed or hedged by the EPC contractor. If additional costs become subject to significant inflationary pressures, we may not be able to fully recover such higher costs through contractual adjustments for inflation, which may have a significant effect on Sempra's results of operations, financial condition, cash flows and/or prospects.

## ITEM 4. CONTROLS AND PROCEDURES

### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Sempra, SDG&E and SoCalGas maintain disclosure controls and procedures designed to ensure that information required to be disclosed in their respective reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to the management of each company, including each respective principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. In designing and evaluating these controls and procedures, the management of each company recognizes that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives; therefore, the management of each company applies judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of the principal executive officers and principal financial officers of Sempra, SDG&E and SoCalGas, each such company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2023, the end of the period covered by this report. Based on these evaluations, the principal executive officers and principal financial officers of Sempra, SDG&E and SoCalGas concluded that their respective company's disclosure controls and procedures were effective at the reasonable assurance level as of such date.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in Sempra's, SDG&E's or SoCalGas' internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, any such company's internal control over financial reporting.

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## PART II – OTHER INFORMATION

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### ITEM 1. LEGAL PROCEEDINGS

We are not party to, and our property is not the subject of, any material pending legal proceedings (other than ordinary routine litigation incidental to our businesses) except for the matters (1) described in Notes 9 and 10 of the Notes to Consolidated Financial Statements in this report and in Notes 15 and 16 of the Notes to Consolidated Financial Statements in the Annual Report, or (2) referred to in "Part I – Item 2. MD&A" in this report or in "Part I – Item 1A. Risk Factors" or "Part II – Item 7. MD&A" in the Annual Report.

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### ITEM 1A. RISK FACTORS

When evaluating our company and its subsidiaries and any investment in our or their securities, you should consider carefully the risk factors and all other information contained in this report and in the other documents we file with the SEC (including those filed subsequent to this report), including the factors discussed in "Part I – Item 2. MD&A" in this report and "Part I – Item 1A. Risk Factors" and "Part II – Item 7. MD&A" in the Annual Report. Any of the risks and other information discussed in this report or any of the risk factors discussed in "Part I – Item 1A. Risk Factors" or "Part II – Item 7. MD&A" in the Annual Report, as well as additional risks and uncertainties not currently known to us or that we currently deem to be immaterial, could materially adversely affect our results of operations, financial condition, cash flows, prospects and/or the trading prices of our securities or those of our subsidiaries.



ITEM 5. OTHER INFORMATION

- (a) None.
- (b) None.
- (c) During the most recent fiscal quarter, no Sempra, SDG&E or SoCalGas director or officer, as defined in Rule 16a-1(f) under the Exchange Act, adopted or terminated a Rule 10b5-1 trading arrangement, as defined in Item 408(a) of SEC Regulation S-K, or a non-Rule 10b5-1 trading arrangement, as defined in Item 408(c) of SEC Regulation S-K.

ITEM 6. EXHIBITS

The exhibits listed below relate to each registrant as indicated. Unless otherwise indicated, the exhibits that are incorporated by reference herein were filed under File Number 1-14201 (Sempra), File Number 1-40 (Pacific Lighting Corporation), File Number 1-03779 (San Diego Gas & Electric Company) and/or File Number 1-01402 (Southern California Gas Company).

**EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Filed or Furnished Herewith	Incorporated by Reference		
			Form	Exhibit or Appendix	Filing Date
<b>EXHIBIT 3 -- ARTICLES OF INCORPORATION AND BYLAWS</b>					
<b>Sempra</b>					
3.1	<a href="#">Amended and Restated Articles of Incorporation of Sempra effective May 23, 2008.</a>		10-K	3.1	02/27/20
3.2	<a href="#">Certificate of Determination of Preferences of the 6% Mandatory Convertible Preferred Stock, Series A, of Sempra (including the form of certificate representing the 6% Mandatory Convertible Preferred Stock, Series A), filed with the Secretary of State of the State of California and effective January 5, 2018.</a>		8-K	3.1	01/09/18
3.3	<a href="#">Certificate of Determination of Preferences of the 6.75% Mandatory Convertible Preferred Stock, Series B, of Sempra (including the form of certificate representing the 6.75% Mandatory Convertible Preferred Stock, Series B), filed with the Secretary of State of the State of California and effective July 11, 2018.</a>		8-K	3.1	07/13/18
3.4	<a href="#">Certificate of Determination of Preferences of 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C, of Sempra (including the form of certificate representing the 4.875% Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, Series C), filed with the Secretary of State of the State of California and effective June 11, 2020.</a>		8-K	3.1	06/15/20
3.5	<a href="#">Certificate of Amendment of Amended and Restated Articles of Incorporation of Sempra dated May 12, 2023.</a>		8-K	3.1	05/16/23
3.6	<a href="#">Bylaws of Sempra (as amended through May 12, 2023).</a>		8-K	3.2	05/16/23
<b>San Diego Gas &amp; Electric Company</b>					
3.7	<a href="#">Amended and Restated Articles of Incorporation of San Diego Gas &amp; Electric Company effective August 15, 2014.</a>		10-K	3.4	02/26/15
3.8	<a href="#">Bylaws of San Diego Gas &amp; Electric Company (as amended through October 26, 2016).</a>		10-Q	3.1	11/02/16
<b>Southern California Gas Company</b>					
3.9	<a href="#">Restated Articles of Incorporation of Southern California Gas Company effective October 7, 1996.</a>		10-K	3.01	03/28/97
3.10	<a href="#">Bylaws of Southern California Gas Company (as amended through January 30, 2017).</a>		8-K	3.1	01/31/17
<b>EXHIBIT 4 -- INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES</b>					
Certain instruments defining the rights of holders of long-term debt instruments are not required to be filed or incorporated by reference herein pursuant to Item 601(b)(4) (iii)(A) of SEC Regulation S-K. Each registrant agrees to furnish a copy of such instruments to the SEC upon request.					
<b>Sempra / San Diego Gas &amp; Electric Company</b>					
4.1	<a href="#">Seventy-Fifth Supplemental Indenture, dated as of August 11, 2023.</a>		8-K	4.1	08/11/23

EXHIBIT INDEX (CONTINUED)					
Exhibit Number	Exhibit Description	Filed or Furnished Herewith	Incorporated by Reference		
			Form	Exhibit or Appendix	Filing Date
<b>EXHIBIT 10 -- MATERIAL CONTRACTS</b>					
<i>Sempra</i>					
10.1	<a href="#">Amended and Restated Sempra 2019 Long-Term Incentive Plan.</a>	X			
10.2	<a href="#">Amended and Restated Sempra Employee and Director Savings Plan, formerly known as the Sempra 2005 Deferred Compensation Plan.</a>	X			

EXHIBIT INDEX (CONTINUED)					
Exhibit Number	Exhibit Description	Filed or Furnished Herewith	Incorporated by Reference		
			Form	Exhibit or Appendix	Filing Date
<b>EXHIBIT 31 -- SECTION 302 CERTIFICATIONS</b>					
<i>Sempra</i>					
31.1	<a href="#">Certification of Sempra's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.</a>				X
31.2	<a href="#">Certification of Sempra's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.</a>				X
<i>San Diego Gas &amp; Electric Company</i>					
31.3	<a href="#">Certification of San Diego Gas &amp; Electric Company's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.</a>				X
31.4	<a href="#">Certification of San Diego Gas &amp; Electric Company's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.</a>				X
<i>Southern California Gas Company</i>					
31.5	<a href="#">Certification of Southern California Gas Company's Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.</a>				X
31.6	<a href="#">Certification of Southern California Gas Company's Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.</a>				X
<b>EXHIBIT 32 -- SECTION 906 CERTIFICATIONS</b>					
<i>Sempra</i>					
32.1	<a href="#">Certification of Sempra's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.</a>				X
32.2	<a href="#">Certification of Sempra's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.</a>				X
<i>San Diego Gas &amp; Electric Company</i>					
32.3	<a href="#">Certification of San Diego Gas &amp; Electric Company's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.</a>				X
32.4	<a href="#">Certification of San Diego Gas &amp; Electric Company's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.</a>				X
<i>Southern California Gas Company</i>					
32.5	<a href="#">Certification of Southern California Gas Company's Principal Executive Officer pursuant to 18 U.S.C. Sec. 1350.</a>				X
32.6	<a href="#">Certification of Southern California Gas Company's Principal Financial Officer pursuant to 18 U.S.C. Sec. 1350.</a>				X

**EXHIBIT INDEX (CONTINUED)**

Exhibit Number	Exhibit Description	Filed or Furnished Herewith
<b>EXHIBIT 101 -- INTERACTIVE DATA FILE</b>		
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X
<b>EXHIBIT 104 -- COVER PAGE INTERACTIVE DATA FILE</b>		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	

**SIGNATURES**

**Sempra:**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEMPRA,  
(Registrant)

Date: November 3, 2023 By: /s/ Peter R. Wall

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Peter R. Wall  
Senior Vice President, Controller and Chief Accounting Officer (Duly Authorized Officer)

**San Diego Gas & Electric Company:**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAN DIEGO GAS & ELECTRIC COMPANY,  
(Registrant)

Date: November 3, 2023 By: /s/ Valerie A. Bille

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Valerie A. Bille  
Vice President, Controller and Chief Accounting Officer (Duly Authorized Officer)

**Southern California Gas Company:**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN CALIFORNIA GAS COMPANY,  
(Registrant)

Date: November 3, 2023 By: /s/ Mia L. DeMontigny

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Mia L. DeMontigny  
Senior Vice President, Chief Financial Officer and Chief Accounting Officer (Duly Authorized Officer)

**Sempra**  
**2019 Long-Term Incentive Plan**  
(As Amended and Restated Effective  
October 30, 2023)

# Sempra 2019 Long-Term Incentive Plan

## Article 1. Establishment, Purpose, and Duration

**1.1 Establishment.** Sempra, a California corporation (the “**Company**”), has established an incentive compensation plan to be known as the Sempra 2019 Long-Term Incentive Plan (the “**Plan**”), as set forth in this document. This Plan was previously approved by the Board of Directors of Sempra and the shareholders of Sempra. This Plan became effective on May 10, 2019 (the “**Effective Date**”), and shall remain in effect as provided in Section 1.3 hereof.

This Plan permits the grant of Stock Options (including both Nonqualified Stock Options and Incentive Stock Options), Stock Appreciation Rights, Full Value Awards (including restricted stock, restricted stock units, stock awards, performance awards, and stock payment awards), Dividend Equivalent Awards and Cash-Based Awards.

The following provisions constitute an amendment, restatement, and continuation of the Plan as of October 30, 2023.

**1.2 Purpose of Plan.** The purpose of the Plan is to provide compensation awards to Employees and Directors of the Company and its Subsidiaries that align the interests of such Employees and Directors with the interests of the Company and its shareholders. Further purposes of the Plan are to permit the Company and its Subsidiaries to attract and retain Employees and Directors, to provide Employees and Directors with an opportunity to acquire an equity interest in the Company, and to reward good performance.

**1.3 Duration of Plan.** Unless sooner terminated as provided herein, the Plan shall terminate ten (10) years from the Effective Date. After the Plan is terminated, no Awards may be granted hereunder but Awards previously granted hereunder shall remain outstanding in accordance with their applicable terms and conditions and the Plan’s terms and conditions.

**1.4 Prior Plan.** No further grants shall be made under the Prior Plan from and after the Effective Date of the Plan.

## Article 2. Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

**2.1 “Affiliate”** has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.

**2.2 “Annual Award Limit”** or “**Annual Award Limits**” have the meaning set forth in Section 4.3.

**2.3 “Award”** means, individually or collectively, a grant under the Plan of Stock Options, Stock Appreciation Rights, Full Value Awards, Dividend Equivalent Awards or Cash-Based Awards, in each case subject to the terms of the Plan.

**2.4 “Award Agreement”** means either: (a) a written agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under the Plan or (b) a written statement issued by the Company to a Participant setting forth the terms and provisions of an Award granted under the Plan, in each case, including any

amendment or modification thereof. In addition to (or in lieu of) paper award agreements, electronic, Internet, or other non-paper Award Agreements may be used and electronic, Internet or other non-paper means may be used as the means for the acceptance of Awards (if applicable) and actions thereunder by a Participant.

**2.5 “Beneficial Owner” or “Beneficial Ownership”** shall have the meaning ascribed to such terms in Rule 13d-3 promulgated under the Exchange Act.

**2.6 “Board” or “Board of Directors”** means the Board of Directors of the Company.

**2.7 “Cash-Based Award”** means an Award granted under Article 10 that is denominated in cash at the time of grant.

**2.8 “Cause”** shall mean, unless otherwise specified in an applicable employment or severance agreement, change in control severance agreement, change in control severance plan or Award Agreement, (a) the willful and continued failure by the Participant to substantially perform the Participant’s duties with the Company (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness) or (b) the Participant’s commission of one or more acts of moral turpitude that constitute a violation of applicable law (including but not limited to a felony involving one or more acts of moral turpitude) which have or result in an adverse effect on the Company, monetarily or otherwise, or one or more significant acts of dishonesty. For purposes of subsection (a) of this Section 2.8, no act, or failure to act, on the Participant’s part shall be deemed “willful” unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant’s act, or failure to act, was in the best interests of the Company. Notwithstanding the foregoing, the Participant shall not be deemed terminated for Cause pursuant to subsection (a) of this Section 2.8 unless and until the Participant shall have been provided with reasonable notice of and, if possible, a reasonable opportunity to cure the facts and circumstances claimed to provide a basis for termination of the Participant’s employment for Cause.

**2.9 “Change in Control”** shall mean a change in the ownership of the Company, a change in the effective control of the Company, or a change in the ownership of a substantial portion of assets of the Company, except as otherwise provided in subsections (b), (c) and (d) below of this Section 2.9. For purposes of this Section 2.9:

(a) The following definitions shall apply:

- (i) “change in the ownership of the Company” occurs on the date that any one Person, or more than one Person acting as a Group, acquires ownership of stock of the Company that, together with stock held by such Person or Group, constitutes more than fifty percent (50%) of the total Fair Market Value or total voting power of the stock of the Company;
- (ii) a “change in the effective control of the Company” occurs only on either of the following dates:
  - (A) the date any one Person, or more than one Person acting as a Group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the stock of the Company; or
  - (B) the date a majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of appointment or election; and



- (iii) a “change in the ownership of a substantial portion of assets of the Company” occurs on the date any one Person, or more than one Person acting as a Group, acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person or Persons) assets from the Company that have a total gross fair market value equal to or more than eighty-five percent (85%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions.
- (b) A “change in the ownership of the Company” or “a change in the effective control of the Company” shall not occur under clause (a)(i) or (a)(ii) by reason of any of the following:
- (i) an acquisition of ownership of stock of the Company directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business;
  - (ii) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least sixty percent (60%) of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or
  - (iii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing twenty percent (20%) or more of the combined voting power of the Company’s then outstanding securities.
- (c) A “change in the ownership of a substantial portion of assets of the Company” shall not occur under clause (a)(iii) by reason of a sale or disposition by the Company of the assets of the Company to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.
- (d) The definition of “Change in Control” shall be limited to the definition of a “change in control event” relating to the Company under Treasury Regulation Section 1.409A-3(i)(5). A “Change in Control” shall only occur if there is a Change in Control (as determined under the provisions of this Section 2.9 without regard to this paragraph (d)) and a “change in control event” relating to the Company under Treasury Regulation Section 1.409A-3(i)(5) with respect to the applicable Participant.

**2.10 “Code”** means the U.S. Internal Revenue Code of 1986, as amended from time to time. For purposes of the Plan, references to Sections of the Code shall be deemed to include references to any applicable regulations thereunder and any successor or similar provision.

**2.11 “Committee”** means the Compensation Committee of the Board (however designated) or a subcommittee thereof, or any other committee designated by the Board to administer the Plan. The members of the Committee shall be appointed from time to time by and shall serve at the discretion of the Board. The Committee shall consist solely of two or more Directors, each of whom shall qualify as a “non-employee director” as defined in Rule 16b-3 and shall be comprised of persons who are independent for purposes of applicable stock exchange listing requirements. Notwithstanding the foregoing, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee. Notwithstanding any other provision of the Plan to the contrary, with respect to any Awards to Nonemployee Directors, the Committee shall be the Board.

**2.12 “Company”** means Sempra, a California corporation, and any successor thereto as provided in Section 17.1 herein.

**2.13 “Director”** means any individual who is a member of the Board of Directors.

**2.14 “Disability”** has the meaning set forth in the long-term disability plan maintained by the employer of the applicable Participant or a successor entity to such employer.

**2.15 “Dividend Equivalent Award”** means a right to receive Shares, or cash, granted to a Participant pursuant to Article 9.

**2.16 “Effective Date”** has the meaning set forth in Section 1.1.

**2.17 “Eligible Individual”** means any Employee or Director. In addition, individuals who are expected to become Employees or Directors are Eligible Individuals but no grant of an Award to any such individual shall be effective prior to the date on which the individual becomes an Employee or Director.

**2.18 “Employee”** means any officer or other employee (as defined in accordance with Code Section 3401(c)) of the Company or any Subsidiary.

**2.19 “Exchange Act”** means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto. For purposes of the Plan, references to Sections of the Exchange Act shall be deemed to include references to any applicable rules and regulations thereunder and any successor provision.

**2.20 “Fair Market Value” or “FMV”** means, as of any date, the value of a Share determined as follows:

- (a) if Shares are listed on any established stock exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market) or any national market system, including without limitation any market system of The NASDAQ Stock Market, LLC, the value of a Share shall be the closing sales price for a Share as quoted on the principal exchange or system on which Shares are listed for such date (or, if there is no closing sales price for a Share on the date in question, the closing sales price for a Share on the next preceding trading day for which such information exists), as reported in *The Wall Street Journal*, *Bloomberg*, or such other source as the Board or the Committee deems reliable;
- (b) if Shares are regularly quoted by a recognized securities dealer but closing sales prices are not reported, the value of a Share shall be the mean of the high bid and low asked prices for such date (or, if there are no high bid and low asked prices for a Share on the date in question, the high bid and low asked prices for a Share

on the next preceding trading day for which such information exists), as reported in *The Wall Street Journal*, *Bloomberg*, or such other source as the Board or the Committee deems reliable; or

- (c) if Shares are neither listed on an established stock exchange or a national market system nor regularly quoted by a recognized securities dealer, the value of a Share for such date, as established by the Board or the Committee in good faith.

For purposes of any Stock Option or SAR that is intended to be exempt from Code Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(5), FMV shall be not less than the fair market value of a Share determined in accordance with the requirements of Treasury Regulation Section 1.409A-1(b)(5)(iv) and for purposes of any Stock Option that is an ISO, FMV shall be determined in accordance with Code Section 422.

**2.21 “Good Reason”** shall mean, unless otherwise specified in an applicable employment or severance agreement, change in control severance agreement, change in control severance plan or Award Agreement, the occurrence of any of the following without the written consent of the Participant, unless such act or failure to act is corrected by the Company prior to the date of termination specified in a Participant’s notice of termination (which notice of termination must be provided to the Company within one hundred eighty (180) days of the act or failure to act that the Participant alleges to constitute Good Reason and shall identify a date of termination that in no event shall be less than fifteen (15) days nor more than sixty (60) days after the date such notice of termination is given):

- (a) an adverse change in the Participant’s title, authority, duties, responsibilities or reporting lines as in effect immediately prior to the Change in Control;
- (b) a reduction by the Company in the Participant’s aggregate annualized compensation opportunities, except for across-the-board reductions in base salaries, annual bonus opportunities or long-term incentive compensation opportunities of less than ten percent (10%) similarly affecting all similarly situated employees (both of the Company and of any Person then in control of the Company) of comparable rank with the Participant; or the failure by the Company to continue in effect any material benefit plan in which the Participant participates immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Participant’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Participant’s participation relative to other participants, as existed at the time of the Change in Control;
- (c) the relocation of the Participant’s principal place of employment immediately prior to the consummation of the Change in Control (the “**Principal Location**”) to a location that is both further away from the Participant’s residence and more than thirty (30) miles from such Principal Location, or the Company’s requiring the Participant to be based anywhere other than such Principal Location (or permitted relocation thereof), or a substantial increase in the Participant’s business travel obligations outside of the general area of the Principal Location as of the date of consummation of a Change in Control (without regard to any changes therein in anticipation of the Change in Control), other than any such increase that (i) arises in connection with extraordinary business activities of the Company of limited duration and (ii) is understood not to be part of the Participant’s regular on-going duties with the Company;

- (d) the failure by the Company to pay to the Participant any portion of the Participant's current compensation and benefits or any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due, accounting for any six-month delay in payment as required to comply with Code Section 409A;
- (e) any purported termination of the Participant's employment that is not effected pursuant to a notice of termination that sets forth in reasonable detail the facts and circumstances for such termination;
- (f) the failure by the Company to provide any indemnification and/or D&O insurance protection that it is required to be provided to the Participant under any agreement between the Company and the Participant; or
- (g) the failure by the Company to comply with any material provision of any material agreement between the Company and the Participant.

For purposes of this Section 2.21, a Participant's determination that an act or failure to act constitutes Good Reason shall be presumed to be valid unless such determination is deemed to be unreasonable by the finder of fact pursuant to the dispute resolution procedure described in Section 14.4 hereof. The Participant's right to terminate the Participant's employment for Good Reason shall not be affected by the Participant's incapacity due to physical or mental illness. The Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

**2.22 "Grant Date"** means the date an Award is granted to a Participant pursuant to the Plan.

**2.23 "Group"** shall have the meaning of such term as it is used in Rule 13(d)-5(b)(1) promulgated under the Exchange Act.

**2.24 "Incentive Stock Option" or "ISO"** means a Stock Option granted under Article 6 to an Employee and that satisfies the requirements of Code Section 422 or any successor provision, and that is designated as an "Incentive Stock Option." To the extent that a Stock Option is designated as an ISO but fails to satisfy the requirements of Code Section 422, the Stock Option shall be treated as a NQSO for purposes of the Plan.

**2.25 "Nonemployee Director"** means a Director who is not an Employee.

**2.26 "Nonqualified Stock Option" or "NQSO"** means a Stock Option that does not meet the requirements of Code Section 422, or that is designated as a "Nonqualified Stock Option." A Stock Option that is designated as a "Nonqualified Stock Option" shall not be treated as an incentive stock option under Code Section 422. To the extent that a Stock Option is designated as an ISO but fails to satisfy the requirements of Code Section 422, the Stock Option shall be treated as a NQSO for purposes of the Plan unless otherwise provided by the Committee.

**2.27 "Option Price"** means the price at which a Share may be purchased by a Participant pursuant to a Stock Option.

**2.28 "Participant"** means any Eligible Individual to whom an Award is granted.

**2.29 "Performance Period"** means the period of time during which performance goals must be met in order to determine the degree of exercisability, vesting, distribution or payment with respect to an Award.

**2.30 “Period of Restriction”** means the period during which a Full Value Award is subject to a substantial risk of forfeiture (based on the performance of services, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, in its sole discretion).

**2.31 “Person”** means an individual, corporation, partnership, limited liability company, estate, trust, or other entity, including a Group.

**2.32 “Plan”** means the Sempra 2019 Long-Term Incentive Plan, as set forth herein and as amended from time to time.

**2.33 “Plan Year”** means the calendar year.

**2.34 “Prior Plan”** means the Sempra 2013 Long-Term Incentive Plan, as amended from time to time.

**2.35 “Retirement”** means a Participant’s termination of employment at age 55 or older with five (5) years or more years of continuous service with the Company and its Subsidiaries.

**2.36 “Rule 16b-3”** means Rule 16b-3 of the General Rules and Regulations under the Exchange Act, as such Rule may be amended from time to time.

**2.37 “SAR Grant Price”** means the per Share price established for a SAR pursuant to Article 7, used to determine the amount of the payment due upon exercise of the SAR.

**2.38 “Share”** means a share of common stock of the Company, no par value per share.

**2.39 “Stock Appreciation Right” or “SAR”** means a stock appreciation right granted to a Participant pursuant to Article 7.

**2.40 “Stock Option”** means an Incentive Stock Option or a Nonqualified Stock Option, granted to a Participant pursuant to Article 6.

**2.41 “Subsidiary”** means: (a) any corporation or other entity (other than the Company), whether domestic or foreign, in which the Company has or obtains, directly or indirectly, a proprietary interest of more than fifty percent (50%) by reason of stock or equity ownership or otherwise and (b) any corporation or other entity (including, but not limited to, a partnership or a limited liability company), that is affiliated with the Company through stock or equity ownership or otherwise and is designated as a Subsidiary for purposes of the Plan by the Committee. Any entity described in the preceding sentence that was a Subsidiary under the Prior Plan immediately prior to the Effective Date shall be deemed to be a Subsidiary for purposes of this Plan unless otherwise provided by the Committee or until the date on which the entity otherwise fails to satisfy the definition of Subsidiary as set forth in the preceding sentence. In the case of an Incentive Stock Option, a **“Subsidiary”** shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**2.42 “Ten Percent Shareholder” or “10% Shareholder”** means the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or any parent corporation (as defined in Code Section 424(e)) of the Company or any Subsidiary.

## Article 3. Administration

**3.1 General.** The Committee shall be responsible for administering the Plan, subject to this Article 3 and the other provisions of the Plan. The Committee may employ attorneys, consultants, accountants, agents, and other individuals, any of whom may be an Employee and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such individuals. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any grant made hereunder. Determinations by the Committee under the Plan need not be uniform and may be made selectively among Participants. All actions taken and all interpretations and determinations made by the Committee shall be final, conclusive and binding upon the Participants, the Company, and all other interested parties.

**3.2 Authority of the Committee.** The Committee shall have full and exclusive discretionary power to conclusively interpret the terms and the intent of the Plan and any Award Agreement or other agreement or document ancillary to or in connection with the Plan, to determine eligibility for Awards, and to adopt such rules, regulations, forms, instruments, and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions, including the terms and conditions set forth in Award Agreements, granting Awards, including in lieu of, or in satisfaction of, compensation earned or to be paid under other compensation plans or agreements of the Company or any Subsidiary, construing any provision of the Plan or any Award Agreement, and, subject to Articles 14 and 15, adopting modifications and amendments to the Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries and other jurisdictions in which the Company and/or its Subsidiaries operate.

**3.3 Delegation.** The Committee may delegate to one or more of its members or to one or more officers of the Company and/or its Subsidiaries, or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or any individuals to whom it has delegated duties or powers as aforesaid may employ one or more individuals to render advice and assistance with respect to any responsibility the Committee or such individuals may have under the Plan. Without limiting the authority to delegate as set forth in the preceding sentence, the Committee may also authorize one or more officers of the Company to designate Employees to be recipients of Awards, including determining the size of any such Awards; provided, however, that: (a) the Committee shall not delegate such responsibilities to any such officer for Awards granted to an Employee of the Company who is subject to the reporting rules as promulgated in accordance with Section 16 of the Exchange Act, (b) the authorized officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated, and (c) no such delegation shall be permitted if it is prohibited by applicable law or the rules of any stock exchange on which the Shares are listed. Any delegation may be revoked by the Committee at any time.

**3.4 Nonemployee Director Awards.** The Board shall be responsible for administering the Plan as the Committee with respect to Awards for Nonemployee Directors, subject to the provisions of the Plan.

**3.5 Limitation on Liability and Indemnification of Committee.** No member or authorized delegate of the Committee shall be liable to any Person for any action taken or omitted in connection with the administration of the Plan unless attributable to his own fraud or willful misconduct; nor shall the Company or any Subsidiary be liable to any Person for any such action unless attributable to fraud or willful misconduct on the part of a director or employee of the Company or Subsidiary. The Committee, the individual members thereof, and individuals acting as the authorized delegates of the Committee under the Plan, shall be indemnified by the Company against any and all liabilities, losses, costs and expenses (including legal fees and

expenses) of whatsoever kind and nature that may be imposed on, incurred by or asserted against the Committee or its members or authorized delegates by reason of the performance of a Committee function if the Committee or its members or authorized delegates did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises. This indemnification is in addition and supplemental to any indemnification provided under the Company's bylaws, agreements or otherwise.

#### **Article 4. Shares Subject to This Plan and Maximum Awards**

**4.1 Shares Available for Awards.** Subject to adjustment as provided in Section 4.4 herein and subject to the other terms and conditions of the Plan:

- (a) The maximum number of Shares available for issuance to Participants under the Plan on or after August 21, 2023 shall be Eight Million Seven Hundred Eighty Thousand Seventy-Five (8,780,075) Shares.
- (b) The maximum number of Shares that may be issued pursuant to ISOs granted under the Plan shall be Fifteen Million Four Hundred Thousand (15,400,000) Shares.

The Shares with respect to which Awards may be granted under the Plan shall be shares currently authorized but unissued or currently held or subsequently acquired by the Company as treasury shares (to the extent permitted by law), including shares purchased in the open market or in private transactions.

**4.2 Share Usage.** Any Shares subject to Awards under the Plan that terminate by expiration, forfeiture, cancellation, or otherwise, without the issuance of such Shares, or that are subject to an Award that is settled in cash, shall be available again for grant under the Plan. Shares withheld or surrendered in satisfaction of the exercise price or taxes relating to an Award under the Plan shall not constitute shares issued to Participants and shall be again available for grant under the Plan; provided, however, that (a) the full number of Shares subject to a Stock Option, SAR or other Award shall be counted for purposes of determining compliance with the Annual Award Limits set forth in Section 4.3 and (b) no Shares may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an ISO. For purposes of applying the limitations of Section 4.1, each Share delivered pursuant to an Award shall be counted as covering one Share and shall reduce the number of Shares available for delivery under the Plan by one Share. For the avoidance of doubt, upon stock settlement of SARs, the gross number of Shares subject to the SARs originally granted shall be counted as issued for purposes of the limitations of Section 4.1, regardless of the number of SARs actually issued upon such stock settlement. To the extent expressly provided by an Award Agreement or other governing arrangement under the Plan, any Award may be settled in cash rather than Shares.

**4.3 Annual Award Limits.** The following limits (each an “**Annual Award Limit**,” and collectively, “**Annual Award Limits**”), as adjusted pursuant to Section 4.4, shall apply to grants of Awards under the Plan:

- (a) **Full Value Awards.** The maximum aggregate number of Shares subject to Full Value Awards granted in any Plan Year to any Participant other than a Nonemployee Director shall be One Million (1,000,000).
- (b) **Dividend Equivalent Awards.** The maximum aggregate number of Shares subject to Dividend Equivalent Awards granted in any Plan Year to any Participant other than a Nonemployee Director shall be One Million (1,000,000).

- (c) **Stock Options and SARs.** The maximum aggregate number of Shares subject to Stock Option and SAR Awards granted in any Plan Year to any Participant other than a Nonemployee Director shall be One Million Five Hundred Thousand (1,500,000).
- (d) **Cash-Based Awards:** The maximum aggregate amount awarded with respect to Cash-Based Awards to any Participant other than a Nonemployee Director in any Plan Year shall be Ten Million dollars (\$10,000,000).

The sum of any cash compensation or other compensation and the value (determined as of the Grant Date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 or a successor thereto) of any Awards granted to a Nonemployee Director as compensation for services as a Nonemployee Director during any Plan Year may not exceed One Million dollars (\$1,000,000). The Committee may make exceptions to this limit for individual Nonemployee Directors in exceptional circumstances, as the Committee may determine in its sole discretion, provided that the Nonemployee Director receiving such additional compensation may not participate in the decision to award such compensation.

If an Award is denominated in Shares but an equivalent amount of cash is delivered in lieu of delivery of Shares, the foregoing limits of this Section 4.3 shall be applied based on the methodology used by the Committee to convert the number of Shares into cash. If the Awards are denominated in cash but an equivalent amount of stock is delivered in lieu of delivery of cash, the limits of this Section 4.3 shall be applied based on the methodology used by the Committee to convert the amount of cash into Shares. If delivery of Shares or cash is deferred until after the Shares or cash has been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the Shares or cash is earned shall be disregarded for purposes of the Annual Award Limits.

**4.4 Capitalization Adjustments.** In the event of any corporate event or transaction (including, but not limited to, a change in the Shares or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, special cash dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in-kind, or other like change in capital structure, number of outstanding Shares or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee shall, in its sole discretion including in order to prevent dilution or enlargement of Participants' rights under the Plan and outstanding awards, substitute or adjust, as applicable, the number and kind of shares (or other securities) that may be issued under the Plan or under particular forms of Awards, the number and kind of shares (or other securities) subject to outstanding Awards, the Option Price or SAR Grant Price applicable to outstanding Awards, the Annual Award Limits, and the terms and conditions of outstanding Awards. Notwithstanding anything herein to the contrary, the Committee may not take any such action as described in this Section 4.4 that would cause an Award to fail to comply with Code Section 409A or the Treasury Regulations thereunder, to the extent applicable to such Award. The determination of the Committee as to the foregoing adjustments, if any, shall be final, conclusive and binding on the Company and all Participants and other parties having any interest in an Award under the Plan. For the avoidance of doubt, the issuance by the Company of any (a) Shares under the Plan, the Prior Plan (or any predecessor thereto), or under any qualified or nonqualified retirement plan or incentive plan subject to a registration statement filed by the Company with the Securities Exchange Commission under Form S-8 or any successor thereto, (b) Shares or stock of any class, or securities convertible, exchangeable, or exercisable into Shares or stock of any class, in each case, for cash in connection with the sale by the Company in a public or private offering, and (c) Shares or stock of any class upon exercise, exchange, or conversion of convertible, exchangeable, or exercisable securities issued by the Company in any public or private offering, in each case, shall not affect, and no substitution or adjustment by



reason thereof shall be made with respect to, Awards then outstanding, the number or kind of shares (or other securities) that may be issued under the Plan or under the particular forms of Awards, the Option Price or SAR Grant Price applicable to outstanding Awards, the Annual Award Limits, and the terms and conditions of outstanding Awards.

**4.5 Substitute Awards.** Subject to the provisions of the Plan and notwithstanding anything else herein to the contrary, without affecting the number of Shares reserved or available hereunder or the Annual Award Limits, the Committee may authorize the grant of substitute Awards under the Plan in connection with any merger, consolidation, recapitalization, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with the rules under Code Sections 409A, 422, and 424, as and where applicable.

## **Article 5. Eligibility and Participation**

Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Individuals those individuals who will be granted one or more Awards under the Plan and, subject to the terms and conditions of the Plan, a Participant may be granted any Award permitted under the provisions of the Plan and more than one Award may be granted to a Participant. Except as otherwise agreed by the Company and the Participant, or except as otherwise provided in the Plan, an Award under the Plan shall not affect any previous Award under the Plan or an award under any other plan maintained by the Company or the Subsidiaries.

## **Article 6. Stock Options**

**6.1 Grant of Stock Options.** Subject to the terms and conditions of the Plan, Stock Options may be granted to Eligible Individuals at any time and from time to time as determined by the Committee; provided, however, that ISOs may be granted only to Employees of the Company or any Subsidiary. Subject to the terms and conditions of the Plan, the grant of each Stock Option shall be evidenced by an Award Agreement that shall specify the terms and conditions of the Award. The Committee shall have complete discretion in determining the number of Stock Options granted to each Participant and in determining the terms and conditions pertaining to such Stock Options that are not inconsistent with the terms of the Plan, including the extent to which the Participant shall have the right to exercise the Stock Option following termination of the Participant's employment with or provision of services to the Company and/or its Subsidiaries. The Award Agreement evidencing the grant of a Stock Option shall specify whether the Stock Option is intended to be an ISO or a NQSO.

**6.2 Option Price.** The Option Price for each grant of a Stock Option under the Plan shall be determined by the Committee in its sole discretion and shall be specified in the Award Agreement; provided, however, the Option Price must be at least equal to one hundred percent (100%) of the FMV of the Shares as determined on the Grant Date; and provided further that, if any Employee to whom an ISO is granted is a 10% Shareholder, then the Option Price shall be at least equal to one hundred ten percent (110%) of the FMV of the Shares as determined on the Grant Date. Notwithstanding the foregoing, any Stock Option granted under the Plan in replacement or substitution for awards under plans and arrangements of the Company or a Subsidiary that are assumed in business combinations may provide for Option Prices that are less than the FMV of the Shares the time of the replacement grants provided that the Committee determines that such Option Price is appropriate to preserve the economic benefit of the award.

**6.3 Term of Stock Options.** Each Stock Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Stock Option shall be exercisable on or after the tenth (10<sup>th</sup>) anniversary date of its grant; provided,

however, that in the case of the grant of an ISO to a 10% Shareholder, the term of the Stock Option shall not exceed five (5) years measured from the Grant Date.

**6.4 Exercise of Stock Options.** Stock Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall approve, which terms and restrictions need not be the same for each grant or for each Participant. On the last trading day before an outstanding vested Stock Option expires, if the aggregate Fair Market Value of the Shares subject to the unexercised Stock Option exceeds the aggregate Option Price of the unexercised Stock Option by at least \$50.00, such Stock Option shall automatically be exercised at the Fair Market Value of a Share on such day, with the number of Shares, less the number of Shares withheld to pay the exercise price and taxes, delivered to the Participant, provided that such Stock Option shall not be so exercised if the Option Price equals or exceeds the Fair Market Value of a Share on such day.

**6.5 Payment.** Stock Options granted under this Article 6 shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company, or by complying with any alternative procedures that may be authorized by the Committee, in each case, setting forth the date the Stock Option was granted and the number of Shares with respect to which the Stock Option is to be exercised and accompanied by full payment for the Shares. A condition of the issuance of the Shares as to which a Stock Option shall be exercised shall be the payment of the Option Price. Unless otherwise provided in the Award Agreement, the Option Price of any Stock Option shall be payable to the Company in full, (a) in cash or its equivalent, (b) by a cashless (broker-assisted) exercise (with such cashless exercise to be subject to terms and conditions, if any, as the Committee may impose, in its sole direction), or (c) by such other methods as are authorized by the Committee in its sole discretion, whether by an Award Agreement or otherwise, including, without limitation, (i) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Option Price, (ii) by surrendering Shares otherwise then issuable upon exercise of the Stock Option having an aggregate Fair Market Value at the time of exercise equal to the Option Price, or (iii) by a combination of the foregoing, subject to such terms and conditions, if any, as the Committee, in its sole discretion, may impose. Subject to any governing rules or regulations, as soon as reasonably practicable after receipt of notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant the number of Shares purchased under the Stock Option (taking into account, if applicable, any Shares otherwise issuable upon exercise that were surrendered in satisfaction of the exercise price or tax withholding). Unless otherwise directed by the Participant, any Shares issued to the Participant shall be evidenced as book entry shares.

**6.6 Post-Exercise Limitations.** The Committee, in its discretion, may impose such restrictions, if any, on Shares acquired pursuant to the exercise of a Stock Option as it determines to be desirable, including, without limitation, minimum holding requirements, restrictions under the policies of the Company or any Subsidiary, restrictions under applicable law or the requirements of any stock exchange or market upon which the Shares are listed or traded, restrictions relating to disposition of the Shares and forfeiture restrictions based on service, performance, Share ownership by the Participant, conformity with the Company's recoupment or clawback policies, compliance with restrictive covenants and such other factors as the Committee determines to be appropriate.

**6.7 Limits on ISOs.** In the case of ISOs, to the extent that the aggregate fair market value of Shares with respect to which ISOs are exercisable for the first time by any individual during any calendar year (under all plans of the Company and all Subsidiaries) exceeds \$100,000, such Options shall be treated as NQSOs to the extent required by Code Section 422. Any Option that is intended to constitute an ISO shall satisfy any other requirements of Code Section 422 and, to the extent such Option does not satisfy such requirements, the Option shall be treated as a NQSO. If any Participant shall make any disposition of Shares issued pursuant to

the exercise of an ISO under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

**6.8 No Repricing.** Except for either adjustments pursuant to Section 4.4 or reductions of the Option Price approved by the Company's shareholders, the Option Price for any outstanding Stock Option may not be decreased after the date of grant nor may an outstanding Stock Option granted under the Plan be surrendered to the Company as consideration for the grant of a replacement or substitute Stock Option with a lower Option Price or a SAR with a lower exercise price or a Full Value Award. Except as approved by the Company's shareholders, in no event shall any Stock Option granted under the Plan be surrendered to the Company in consideration for a cash payment if, at the time of such surrender, the Option Price of the Stock Option is greater than the then current Fair Market Value of a Share.

## **Article 7. Stock Appreciation Rights**

**7.1 Grant of SARs.** Subject to the terms and conditions of the Plan, SARs may be granted to Eligible Individuals at any time and from time to time as shall be determined by the Committee. Subject to the terms and conditions of the Plan, the grant of each SAR shall be evidenced by an Award Agreement that shall specify the terms and conditions of the Award. The Committee shall have complete discretion in determining the number of SARs granted to each Participant and in determining the terms and conditions pertaining to such SARs that are not inconsistent with the terms of the Plan, including the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with or provision of services to the Company and/or its Subsidiaries.

**7.2 SAR Grant Price.** The SAR Grant Price for each grant of a SAR shall be determined by the Committee and shall be specified in the Award Agreement; provided, however, the SAR Grant Price must be at least equal to one hundred percent (100%) of the FMV of the Shares as determined on the Grant Date. Notwithstanding the foregoing, any SAR granted under the Plan in replacement or substitution for awards under plans and arrangements of the Company or a Subsidiary that are assumed in business combinations may provide for SAR Grant Prices that are less than the FMV of the Shares the time of the replacement grants or substitute awards provided that the Committee determines that such SAR Grant Price is appropriate to preserve the economic benefit of the award.

**7.3 Term of SAR.** Each SAR granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no SAR shall be exercisable on or after the tenth (10<sup>th</sup>) anniversary date of its grant.

**7.4 Exercise of SARs.** SARs granted under this Article 7 shall be exercised at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant. On the last trading day before an outstanding vested SAR expires, if the aggregate Fair Market Value of the Shares subject to the unexercised SAR exceeds the aggregate exercise price of the unexercised SAR by at least \$50.00, such SAR shall automatically be exercised at the Fair Market Value of a Share on such day, with the number of Shares, less the number of Shares (or value of cash, if applicable) withheld to pay the SAR Grant Price and taxes, delivered to the Participant, provided that such SAR shall not be so exercised if the SAR Grant Price equals or exceeds the Fair Market Value of a Share on such day.

**7.5 Settlement of SARs.** Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The excess of the Fair Market Value of a Share on the date of exercise over the SAR Grant Price; by
- (b) The number of Shares with respect to which the SAR is exercised.

**7.6 Post-Exercise Limitations.** The Committee, in its discretion, may impose such restrictions on Shares or cash acquired pursuant to the exercise of a SAR as it determines to be desirable, including, without limitation, minimum holding requirements, restrictions under the policies of the Company or any Subsidiary, restrictions under applicable law or the requirements of any stock exchange or market upon which the Shares are listed or traded, restrictions relating to disposition of the Shares and forfeiture restrictions based on service, performance, Share ownership by the Participant, conformity with the Company's recoupment or clawback policies, compliance with restrictive covenants and such other factors as the Committee determines to be appropriate.

**7.7 No Repricing.** Except for either adjustments pursuant to Section 4.4 or reductions of the SAR Grant Price approved by the Company's shareholders, the SAR Grant Price for any outstanding SAR may not be decreased after the date of grant nor may an outstanding SAR granted under the Plan be surrendered to the Company as consideration for the grant of a replacement SAR with a lower SAR Grant Price or a Stock Option with a lower Option Price or a Full Value Award. Except as approved by the Company's shareholders, in no event shall any SAR granted under the Plan be surrendered to the Company in consideration for a cash payment if, at the time of such surrender, the SAR Grant Price of the SAR is greater than the then current Fair Market Value of a Share.

## **Article 8. Full Value Awards**

**8.1 Definition.** A "Full Value Award" is a grant of one or more Shares or a right to receive one or more Shares in the future (including restricted stock, restricted stock units, deferred stock units, performance shares, performance-based restricted stock units, and stock payment awards). Such grants may be in consideration of a Participant's previously performed services or surrender of other compensation that may be due, contingent on the achievement of performance or other objectives (including completion of service) during a specified period, subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant or achievement of performance or other objectives, and/or may be granted for other purposes and shall be subject to such conditions, restrictions and contingencies, as determined by the Committee, including provisions relating to dividend or dividend equivalent rights and deferred payment or settlement. Such grants may be made under other arrangements that are treated as subplans of the Plan and, in such case, shall be treated as granted as the grant of an Award under the Plan.

**8.2 Terms and Conditions.** The Committee shall determine all terms and conditions of Full Value Awards including any Period(s) of Restriction, the number of Shares subject to the Full Value Award, the extent to which the Participant shall have the right to retain the Full Value Award following termination of the Participant's employment with or provision of services to the Company and/or its Subsidiaries, and such other provisions as the Committee shall determine that are not inconsistent with the terms of the Plan. The Committee may impose such conditions and/or restrictions on any Shares subject a Full Value Award granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share, restrictions based upon the achievement of specific performance goals, service-based restrictions on vesting following the attainment of the performance goals, service-based restrictions, and/or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting or settlement of such Full Value Awards. To the extent deemed appropriate by the Committee,

during any Period(s) of Restriction, the Company may retain in the Company's possession the certificates representing Shares subject to a Full Value Award until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

**8.3 Certificate Legend.** The certificates for Shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer of such Shares. In addition to any legends placed on certificates pursuant to this Section 8.3 or otherwise as determined by the Committee, each certificate representing Shares granted pursuant to the Plan as a Full Value Award may bear a legend such as the following or as otherwise determined by the Committee in its sole discretion:

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AND FORFEITURE OR REPURCHASE PROVISIONS SET FORTH IN THE SEMPRA 2019 LONG-TERM INCENTIVE PLAN, AND IN THE ASSOCIATED AWARD AGREEMENT BETWEEN THE HOLDER OF THE SHARES AND SEMPRA, A COPY OF EACH OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF SEMPRA.

**8.4 Voting Rights.** Unless otherwise determined by the Committee in its sole discretion, during the Period of Restriction, Participants holding Shares that are subject to a Full Value Award shall be granted the right to exercise full voting rights with respect any shares issued in connection with the Full Value Award, including during any Period of Restriction. A Participant shall have no voting rights with respect to any Shares subject to a Full Value Award unless shares subject to the Full Value Award have been issued and are outstanding.

**8.5 Dividends and Other Distributions.** Unless otherwise determined by the Committee in its sole discretion, during the Period of Restriction, a Full Value Award shall be credited with dividends or dividend equivalent rights based on dividends paid with respect to the underlying Shares subject to the Full Value Award assuming that the dividends were reinvested in Shares (and any dividends on such Shares were reinvested in Shares) during such Period of Restriction and otherwise in the manner specified under the terms of the Award; provided, however, that no dividends or dividend equivalent rights shall be paid or settled on Full Value Awards that have not vested or been earned based on the restrictions applicable to the Full Value Award. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalent rights, including cash, Shares, or Full Value Awards that are subject to restrictions determined by the Committee. In the absence of such determination, dividend equivalent rights shall be paid in Shares.

**8.6 Section 83(b) Election.** The Committee may provide in an Award Agreement that a Full Value Award is conditioned upon the Participant making or refraining from making an election with respect to the Award under Code Section 83(b), to the extent that such election would apply to the Full Value Award. If a Participant makes an election pursuant to Code Section 83(b) with respect to a Full Value Award, the Participant shall be required to file promptly a copy of such election with the Company.

**8.7 Post-Payment or Settlement Restrictions.** The Committee, in its discretion, may impose such restrictions on Shares acquired pursuant to the payment or settlement of a Full Value Award as it determines to be desirable, including, without limitation, minimum holding requirements, restrictions under the policies of the Company or any Subsidiary, restrictions under applicable law or the requirements of any stock exchange or market upon which the Shares are listed or traded, restrictions relating to disposition of the Shares and forfeiture restrictions based on service, performance, Share ownership by the Participant, conformity with the Company's

recoupment or clawback policies, compliance with restrictive covenants and such other factors as the Committee determines to be appropriate.

## **Article 9. Dividend Equivalent Awards**

**9.1 Grant of Dividend Equivalent Awards.** Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Dividend Equivalent Awards to Participants with respect to: (a) the Shares subject to another Award or (b) such number of Shares as the Committee shall specify. A Dividend Equivalent Award shall represent the right to receive Shares or cash, determined based on the dividends that a Participant would have received had the Participant held the number of Shares subject to such other Award, or the number of Shares specified by the Committee, as applicable, for all or any portion of the period from the Grant Date of the Dividend Equivalent Award to the date of the vesting, payment, settlement, distribution or expiration of such other Award, as determined by the Committee, or the date specified under the Dividend Equivalent Award, and, to the extent such Dividend Equivalent Awards are not distributed or paid currently, assuming that the dividends were reinvested in Shares (and any dividends on such Shares were reinvested in Shares) during such period of reinvestment and otherwise in the manner specified under the terms of the Award. Notwithstanding the foregoing, no Dividend Equivalent Award shall be granted with respect to Stock Options or SARs and no Dividend Equivalent Award with respect to a Full Value Award shall be paid or settled with respect to Shares subject to the underlying Full Value Award that have not vested or been earned based on the restrictions applicable to the Full Value Award.

**9.2 Form and Timing of Distribution or Payment of Dividend Equivalent Awards.** Distribution or payment of the Shares, or payment of the cash value of the Shares, earned pursuant to Dividend Equivalent Awards shall be as determined by the Committee and as evidenced in the Award Agreement (including the Award Agreement relating to another Award with respect to which the Dividend Equivalent Award relates). In the absence of such a determination, a Dividend Equivalent Award shall be paid in Shares. Any Shares issued pursuant to Dividend Equivalent Awards may be granted subject to any restrictions deemed appropriate by the Committee.

## **Article 10. Cash-Based Awards**

**10.1 Grant of Cash-Based Awards.** Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such value as the Committee may determine.

**10.2 Value of Cash-Based Awards.** Each Cash-Based Award shall specify a payment amount or amounts as determined by the Committee. The Committee may establish performance goals in its sole discretion. If the Committee exercises its discretion to establish performance goals, the value of Cash-Based Awards that will be paid out to the Participant will depend on the extent to which the performance goals are met.

## **Article 11. Transferability of Awards**

Except as otherwise provided in a Participant's Award Agreement or otherwise determined at any time by the Committee, no Award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Board or Committee may permit further transferability, on a general or a specific basis, and may impose conditions and limitations on any permitted transferability, but in no event may an Award be transferred for value (as defined in the General Instructions to Form S-8 registration statement under the Securities Act of 1933, as amended from time to time). Further, except as otherwise provided in a Participant's Award Agreement or otherwise determined at any time by the Committee, or unless the Board or Committee decides

to permit further transferability, all Awards (other than ISOs) granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant. With respect to those Awards (other than ISOs), if any, that are permitted to be transferred to another individual, references in the Plan to exercise or payment related to such Awards by or to the Participant shall be deemed to include, as determined by the Committee, the Participant's permitted transferee. Notwithstanding the foregoing, no ISO (or Award that results in a deferral of compensation as defined in Code Section 409A) granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant shall be exercisable during his or her lifetime only by such Participant.

## **Article 12. Beneficiary Designation**

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his death before he receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such beneficiary designation, benefits remaining unpaid or rights remaining unexercised at the Participant's death shall be paid to or exercised by the Participant's executor, administrator, or legal representative.

## **Article 13. Rights of Participants**

**13.1 Employment.** Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company and/or its Subsidiaries to terminate any Participant's employment or service on the Board or to the Company or any Subsidiary at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his employment or service as a Director for any specified period of time. Neither an Award nor any benefits arising under the Plan shall constitute an employment contract with the Company and/or its Subsidiaries and, accordingly, subject to Articles 3, 14 and 15, the Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company and/or its Subsidiaries. No individual shall have the right to be selected to receive an Award under the Plan, or, having been so selected, to be selected to receive a future Award.

**13.2 Rights as a Shareholder.** Except as otherwise provided herein or in an applicable Award Agreement, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the date a certificate has been delivered to the Participant or book entries evidencing such Shares have been recorded by the Company or its transfer agent or are otherwise issued and outstanding.

## **Article 14. Change in Control**

Notwithstanding any other provision of the Plan to the contrary, the provisions of this Article 14 shall apply in the event of a Change in Control, unless otherwise determined by the Committee in connection with the grant of an Award and as expressly reflected in the applicable Award Agreement, or unless otherwise provided in an individual severance or employment agreement to which a Participant is a party.

**14.1 Replacement Awards.** Upon a Change in Control, each then-outstanding Award may be adjusted or substituted in accordance with Section 4.4 (subject to the limitations set forth therein) with an award that meets the criteria set forth in this Section 14.1 (each, a "**Replacement Award**," and each adjusted or substituted Award, a "**Replaced Award**"). An adjusted or substituted award meets the conditions of this Section 14.1 (and hence qualifies as a

Replacement Award) if (a) it is of the same type (e.g., stock option for Stock Option, Full Value Award in the form of restricted stock for a Full Value Award in the form of restricted stock, etc.) as the Replaced Award, (b) it has a value that is approximately the same as, but does not exceed the value of, the Replaced Award, (c) it relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control, (d) if the Participant holding the Replaced Award is subject to U.S. federal income tax under the Code, the tax consequences to such Participant under the Code of the Replacement Award are determined under the same methodology as was applicable to the Replaced Award (subject to any applicable changes in tax laws), and (e) its other terms and conditions are approximately the same but are not more favorable to the Participant holding the Replaced Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this Section 14.1 are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion. Without limiting the generality of the foregoing, the Committee may determine the value of Awards and Replacement Awards that are Stock Options by reference to either their intrinsic value or their fair value.

**14.2 Full Vesting/Termination.** In the event that a Participant does not receive a Replacement Award that meets the conditions set forth in Section 14.1 with respect to any of his or her outstanding Awards upon a Change in Control, each such then-outstanding Award will be cancelled in exchange for a cash payment or other consideration generally provided to shareholders in the applicable transaction equal to the current value of the Award, determined as though the Award was fully vested and exercisable (as applicable) and any restrictions applicable to such Award had lapsed, and any applicable performance goals will be deemed to have been achieved at the greater of target level as of the date of such vesting or the actual performance level had the Performance Period ended on the date of the Change in Control, provided that in the case of a Stock Option or SAR, the amount of such payment may be the excess of the value of the Shares subject to the Stock Option or SAR at the time of the transaction over the Option Price. For the avoidance of doubt, if all Awards hereunder are terminated without any Replacement Awards, then the Company or its successor in the Change in Control may terminate all Awards whose Option Price or SAR Grant Price, as applicable, is less than or equal to the value per Share realized in connection with the Change in Control (without any consideration therefor).

**14.3 Termination Post-Change in Control.** If a Participant terminates his or her employment for Good Reason, the Participant is involuntarily terminated for reasons other than for Cause, or the Participant's employment terminates due to the Participant's death, Disability or Retirement, in any case during the three year period commencing on the date of a Change in Control, then (a) all Replacement Awards held by the Participant will become fully vested and, if applicable, exercisable and free of restrictions (with any applicable performance goals deemed to have been achieved at the greater of target level as of the date of such vesting or the actual performance level had the Performance Period ended on the date of such vesting) and (b) all Stock Options and Stock Appreciation Rights held by the Participant immediately before such termination of employment that the Participant also held as of the date of the Change in Control or that constitute Replacement Awards will remain exercisable for not less than three years following such termination of employment or until the expiration of the stated term of such Stock Option or Stock Appreciation Rights, whichever period is shorter (provided, however, that if the applicable Award Agreement provides for a longer period of exercisability, that provision will control).

**14.4 Dispute Resolution.** Unless a Participant is subject to a dispute resolution provision in an individual agreement (other than an Award Agreement) to which a Participant



and the Company or any of its Affiliates are parties, any disagreement, dispute, controversy or claim arising out of or relating to the existence of Cause or Good Reason shall be settled pursuant to the dispute resolution provision set forth in the Participant's applicable Award Agreement(s).

**14.5 Code Section 409A.** No action shall be taken under this Article 14 that shall cause an Award to fail to comply with Code Section 409A or the Treasury Regulations thereunder, to the extent applicable to such Award.

## **Article 15. Amendment, Modification, Suspension, and Termination**

**15.1 Amendment, Modification, Suspension, and Termination.** Subject to Section 15.2, the Board or Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan and any Award Agreement in whole or in part; provided, however, that, except as provided in Section 15.2, no termination, amendment, suspension, or modification of the Plan or an Award Agreement shall adversely affect in any material way any outstanding Award previously granted under the Plan without the written consent of the affected Participant; and provided, further that, that without the prior approval of the Company's shareholders, no amendment of the Plan shall be made without shareholder approval (a) to the provisions of Section 6.8 or 7.7 (relating to Stock Option or SAR repricing), (b) if such amendment would increase the maximum number of Shares available for issuance to Participants under the Plan (except as otherwise permitted under Section 4.4), or (c) if shareholder approval is required by law, regulation, or stock exchange rule, including, but not limited to, the Exchange Act, the Code, and if applicable, the New York Stock Exchange Listed Company Manual.

**15.2 Amendment to Conform to Law.** Notwithstanding any other provision of the Plan to the contrary, the Board or the Committee may amend the Plan or an Award Agreement pursuant to the following:

- (a) The Board or the Committee may amend the Plan or an Award Agreement to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or an Award Agreement to any present or future law relating to plans of this or similar nature, and to the administrative regulations and rulings promulgated thereunder. By accepting an Award under the Plan, a Participant agrees to any amendment made pursuant to this Section 15.2 to any Award granted under the Plan without further consideration or action.
- (b) The Board or the Committee may amend the Plan or an Award Agreement to (i) exempt the Award from the requirements of Code Section 409A or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Code Section 409A.

## **Article 16. Withholding**

**16.1 Tax Withholding.** The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum amount necessary to satisfy federal, state, local and foreign taxes required by law or regulation to be withheld with respect to any taxable event relating to an Award. Except as expressly provided in Section 16.2, the Company shall have the authority to determine the method of withholding in its sole discretion and such withholding method shall be communicated to the Participant.

**16.2 Share Withholding.** With respect to withholding required upon the exercise of Stock Options or SARs, upon the lapse of restrictions on or settlement, as applicable, of Full Value Awards, or upon the achievement of performance goals related to Awards, or any other taxable event arising as a result of an Award granted hereunder, the Participant may elect to

satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares to which the Participant would otherwise be entitled to receive upon exercise or settlement of the Award (or accepting the surrender of Shares that the Participant already owns) having a Fair Market Value on the date the tax is to be determined equal to the minimum amount necessary to satisfy the federal, state, local and foreign taxes required by law or regulation to be withheld with respect to such transaction. Subject to the foregoing, the terms upon which Share withholding shall be administered by the Company may be set forth in the Award Agreement.

## **Article 17. General Provisions**

**17.1 Successors.** All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

**17.2 Gender and Number.** Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

**17.3 Severability.** In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

**17.4 Requirements of Law.** The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

**17.5 Delivery of Title.** The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

- (a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and
- (b) Completion of any registration or qualification of the Shares under any applicable federal, state or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

**17.6 Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance or sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

**17.7 Investment Representations.** The Committee may require any individual receiving Shares pursuant to an Award under the Plan to represent and warrant in writing that the individual is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

**17.8 Employees Based Outside of the United States.** Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws and/or practices in other countries in which the Company and its Subsidiaries operate or have Employees or Directors or to enact provisions desirable for administration or necessary to obtain favorable tax or accounting treatment in such other countries, the Committee, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan, (b) determine which

Employees or Directors outside the United States are eligible to participate in the Plan, (c) subject to Section 15.1, modify or supplement the terms and conditions of any Award granted to Employees or Directors outside the United States (which, in the absence of Committee action to the contrary, may be so modified by an officer of the Company), (d) establish subplans and modify exercise procedures, in each case with respect to Employees and Directors outside of the United States (any such subplans, modifications and/or supplements shall be attached to the Plan as appendices), provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Article 4, except as otherwise permitted under Section 4.4, and (e) take any action, before or after an Award is made to an Employee or Director outside of the United States, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions, approvals or practices (which, in the absence of Committee action to the contrary, may be so modified by an officer of the Company). Notwithstanding the foregoing provisions of this Section 17.8, the Committee may not take any actions hereunder, and no Awards shall be granted (and the Company shall have no obligation to deliver any Shares), that would violate the Exchange Act, the Code, any applicable federal, state or foreign securities law or governing statute or any other applicable law with respect to employees based outside the United States.

**17.9 Uncertificated Shares.** To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

**17.10 Unfunded Plan.** Participants shall have no right, title, or interest whatsoever in or to any investments that the Company and/or its Subsidiaries may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other individual. To the extent that any individual acquires a right to receive payments from the Company and/or its Subsidiaries under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company or a Subsidiary, as the case may be. All payments to be made hereunder shall be paid from the general funds of the Company or a Subsidiary, as the case may be, and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts.

**17.11 Retirement and Welfare Plans.** Neither Awards made under the Plan nor Shares or cash paid pursuant to such Awards, may be included as “compensation” for purposes of computing the benefits payable to any Participant under the Company’s or any Subsidiary’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant’s benefit.

**17.12 Recoupment/Forfeiture.** Notwithstanding any other provision of the Plan to the contrary, unless otherwise specified by the Committee (including in an Award Agreement), any Awards under the Plan and any Shares or cash issued pursuant to the Plan shall be subject to the Company’s compensation recovery, clawback, and recoupment policies as in effect from time to time.

**17.13 Code Section 409A.** It is intended that any Award made under the Plan that results in the deferral of compensation (as defined under Code Section 409A) complies with or is exempt from the requirements of Code Section 409A.

- (a) To the extent applicable, the Plan and any Award Agreement shall be interpreted in accordance with Code Section 409A and the Treasury Regulations and other guidance promulgated thereunder, including, without limitation, any such

regulations or other guidance that may be issued after the Effective Date. For purposes of the foregoing, with respect to any Award that results in a deferral of compensation as defined in Code Section 409A and that is subject to settlement or payment upon a Participant's termination of employment shall be settled or paid, as applicable, only if such termination of employment qualifies as a separation from service within the meaning of Code Section 409A.

- (b) Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any Award that results in a deferral of compensation as defined in Code Section 409A to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment. Except as permitted under Code Section 409A, any Award that results in a deferral of compensation as defined in Code Section 409A may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its affiliates.
- (c) If, at the time of a Participant's separation from service (within the meaning of Code Section 409A), (i) the Participant is a specified employee (within the meaning of Code Section 409A and using the identification methodology selected by the Company from time to time) and (ii) the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Code Section 409A), the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Code Section 409A in order to avoid taxes or penalties under Code Section 409A, then the Company will not pay such amount on the otherwise scheduled payment date but, unless otherwise provided in the Award Agreement, will instead pay it on the first business day of the seventh month after such separation from service.
- (d) The time or schedule of payment with respect to any Award that results in the deferral of compensation may be accelerated as permitted by Treasury Regulation Section 1.409A-3(j)(4)(ii) to the extent necessary to fulfill a domestic relations order as defined in Code Section 414(p)(1)(B).
- (e) Notwithstanding any provision of the Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Code Section 409A, the Company reserves the right to make amendments to the Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Code Section 409A. In any case, a Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with the Plan and grants hereunder (including any taxes and penalties under Code Section 409A), and neither the Company nor any of its affiliates have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

**17.14 Nonexclusivity of the Plan.** The adoption of the Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

**17.15 No Constraint on Corporate Action.** Nothing in the Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or a Subsidiary's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets or (b) limit the right or power of the Company or a Subsidiary to take any action that such entity deems to be necessary or appropriate.

**17.16 Governing Law; Exclusive Jurisdiction and Venue.** The Plan and each Award Agreement shall be governed by the laws of the State of California, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of California, to resolve any and all issues that may arise out of or relate to the Plan or any Award Agreement.

THE SEMPRA EMPLOYEE  
AND DIRECTOR SAVINGS PLAN  
(As Amended and Restated Effective as of October 30, 2023)

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**THE SEMPRA EMPLOYEE AND DIRECTOR SAVINGS PLAN  
(As Amended and Restated Effective as of October 30, 2023)**

Effective as of January 1, 2005, Sempra (formerly known as Sempra Energy), a California corporation, established the Sempra Energy 2005 Deferred Compensation Plan (the "Plan") which was designed to provide supplemental retirement income benefits for certain directors of Sempra and for a select group of management and highly compensated employees of the Company (as defined herein) through deferrals of salary and incentive compensation and employer matching contributions. The Plan has been amended from time to time and, effective as of January 1, 2011, the name of the Plan was changed to "The Sempra Energy Employee and Director Retirement Savings Plan". Effective as of June 29, 2012, the name of the Plan was changed to "The Sempra Energy Employee and Director Savings Plan". The Plan was amended and restated effective June 16, 2015 and was subsequently amended and restated effective as of November 10, 2016, November 9, 2017, January 1, 2019, and November 18, 2020. The following provisions constitute an amendment, restatement and continuation of the Plan as in effect immediately prior to October 30, 2023.

**ARTICLE I.  
TITLE AND DEFINITIONS**

**1.1 Title.**

This Plan shall be known as the Sempra Employee and Director Savings Plan.

**1.2 Definitions.**

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

- (a) "**Account**" or "**Accounts**" shall mean a Participant's Deferral Account and/or Employer Matching Account (including any Subaccounts thereunder).
- (b) "**Administrator**" shall mean the individual(s) designated by the Committee (who need not be a member of the Committee) to handle the day-to-day Plan administration. If the Committee does not make such a designation, the Administrator shall be the most senior officer of Human Resources of Sempra.
- (c) "**Affiliate**" has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.
- (d) "**Base Salary**" shall mean, with respect to any Participant, the Participant's annual base salary, excluding bonus, incentive and all other remuneration for services rendered to the Company, prior to reduction for any salary contributions to a plan established pursuant to Section 125 of the Code or qualified pursuant to Section 401(k) of the Code and prior to reduction for deferrals under this Plan.
- (e) "**Beneficial Owner**" has the meaning set forth in Rule 13d-3 under the Exchange Act.
- (f) "**Beneficiary**" or "**Beneficiaries**" shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant to receive the benefits specified hereunder in the event of the Participant's death in accordance with Section 9.4.

- (g) **“Board of Directors”** or **“Board”** shall mean the Board of Directors of Sempra.
- (h) **“Bonus”** shall mean the annual cash incentive award earned by a Participant under the Company’s short-term incentive plans and other special cash payments or cash awards that may be granted by the Company from time to time to the extent that such other special cash payments or cash awards are permitted by the Committee to be deferred under the Plan.
- (i) **“Change in Control”** shall be deemed to have occurred when any event or transaction described in paragraph (1), (2), (3) or (4) occurs, subject to paragraph (5):

(1) Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of Sempra representing twenty percent (20%) or more of the combined voting power of Sempra’s then outstanding securities; or

(2) The following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the election of directors of Sempra) whose appointment or election by the Board or nomination for election by Sempra’s shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(3) There is consummated a merger or consolidation of Sempra or any direct or indirect subsidiary of Sempra with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of Sempra outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of Sempra or any subsidiary of Sempra, at least sixty percent (60%) of the combined voting power of the securities of Sempra or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of Sempra (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of Sempra (not including in the securities beneficially owned by such Person any securities acquired directly from Sempra or its affiliates other than in connection with the acquisition by Sempra or its affiliates of a business) representing twenty percent (20%) or more of the combined voting power of Sempra’s then outstanding securities; or

(4) The shareholders of Sempra approve a plan of complete liquidation or dissolution of Sempra or there is consummated an agreement for the sale or disposition by Sempra of all or substantially all of Sempra’s assets, other than a sale or disposition by Sempra of all or substantially all of Sempra’s assets to an entity, at least sixty percent (60%) of the combined voting power of the voting securities of which are owned by shareholders of Sempra in substantially the same proportions as their ownership of Sempra immediately prior to such sale.

(5) An event or transaction described in paragraph (1), (2), (3), or (4) shall be a “Change in Control” only if such event or transaction is also a “change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation,” within the meaning of Section 409A of the Code.

- (j) **“Code”** shall mean the Internal Revenue Code of 1986, as amended, and all applicable rules and regulations thereunder

- (k) **“Committee”** shall mean the compensation committee of the Board of Directors.
- (l) **“Company”** shall mean Sempra and any successor corporations. The term **“Company”** shall also include each corporation which is a member of a controlled group of corporations (within the meaning of Section 414(b) of the Code) of which Sempra is a component member if the Committee provides that such corporation shall participate in the Plan and such corporation’s governing board of directors adopts the Plan. Any corporation described in the preceding sentence that participates in the Plan immediately prior to the Effective Date shall be deemed to participate in the Plan and to have adopted the Plan without any further action of either such corporation or Sempra, subject to the terms and conditions of the Plan.

(m) **“Compensation”** shall mean, with respect to a Participant, the following:

(1) with respect to any Participant who is an employee, Base Salary and Bonus that the Participant is entitled to receive for services rendered to the Company. In addition, for any Participant who is an Executive Officer **“Compensation”** includes (i) SERP Lump Sum, and (ii) Restricted Stock Units. The Committee may also permit Eligible Individuals who are not Executive Officers to defer Restricted Stock Units (or any other compensation specifically designated by the Committee) provided that such Eligible Individual shall not be an Executive Officer for purposes of the Plan solely as a result of such deferral unless such Eligible Individual is otherwise designated as such by the Committee; and

(2) with respect to any Director, retainer payments and/or meeting and other fees (including Elective Phantom Share Amounts and Nonelective Phantom Share Amounts), received from Sempra for services performed by the Participant as a Director.

(n) **“Deferral Account”** shall mean the bookkeeping account maintained under the Plan for each Participant that is credited with amounts equal to the portion of the Participant’s Compensation that he elects to defer pursuant to Section 3.1, debited by amounts equal to all distributions to and withdrawals made by the Participant and/or his Beneficiary and adjusted for investment earnings and losses pursuant to Article V. The Deferral Account may be further subdivided into Subaccounts as determined by the Committee or the Administrator.

(o) **“Deferral Election Form”** shall mean the form designated by the Committee or the Administrator for purposes of making deferrals under Section 3.1.

(p) **“Director”** shall mean an individual who is a non-employee member of the Board.

(q) **“Disability” or “Disabled”** means, with respect to a Participant, that the Participant:

(1) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or

(2) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident or health plan covering employees of such Participant’s employer,

in either case, as determined in accordance with Section 409A of the Code.

(r) “**Distributable Amount**” of a Participant’s Subaccounts with respect to a Plan Year shall mean the sum of the vested balance of the Subaccount in a Participant’s Deferral Account and Employer Matching Account with respect to such Plan Year.

(s) “**Effective Date**” shall mean November 18, 2020.

(t) (1) “**Election Period**” with respect to a Plan Year shall mean the period designated by the Committee or the Administrator; provided, however, that such period shall be no less than ten (10) business days. The Election Period with respect to a Plan Year shall end not later than the last day of the prior Plan Year; *provided, however,* that, in the case of an Eligible Individual who first becomes eligible to participate in the Plan during a Plan Year, the Election Period, if any, shall be the thirty (30) calendar day period (or such shorter period specified by the Committee or the Administrator) commencing on the date such Eligible Individual first becomes eligible to participate in accordance with the provisions of subsection 1(v) and Section 409A of the Code; and provided, further, in the case of an Eligible Individual’s election to defer a Bonus (or portion thereof) for a Plan Year that is performance-based compensation within the meaning of Section 409A of the Code, the Election Period, if any, shall be a period designated by the Committee or the Administrator during such Plan Year that satisfies the requirements of Section 409A of the Code.

(2) Notwithstanding anything to the contrary in paragraph (1), in the case of a Director who becomes a Participant in accordance with Section 2.2, with respect to the Plan Year in which such Director first becomes eligible to participate in the Plan by reason of appointment or election as a Director, “**Election Period**,” for purposes of: (A) such Director’s election under paragraph 3.1(b)(3) to defer any Elective Phantom Share Amount with respect to an initial equity award granted during the Plan Year shall be the thirty (30) calendar day period (or such shorter period designated by the Committee or the Administrator) after such appointment or election (which period shall end not later than the day next preceding the grant date of such initial equity award), and (B) such Director’s election under subsection 3.1(f) of the time and form of payment of any Nonelective Phantom Share Account (or any prorated Nonelective Phantom Share Amount) credited during such Plan Year shall be the thirty (30) calendar day period (or such shorter period designated by the Committee or the Administrator) after such appointment or election (which period shall end not later than the day next preceding the first day of the calendar quarter with respect to such Nonelective Phantom Share Amount (or such prorated Nonelective Phantom Share Amount) as determined under subsection 3.1(f)); provided that any such election under subparagraph (A) or (B) satisfies the requirements of Section 409A of the Code.

(u) “**Elective Phantom Share Amount**” shall mean, with respect to an initial or annual equity award by Sempra to a Participant who is a Director, which the Director may elect to receive in the form of (1) an award of Restricted Stock Units, or (2) an amount credited to such Participant’s Deferral Account in the Sempra Stock Fund, the dollar value designated by the Board for such equity award that is used for purposes of determining the number of Restricted Stock Units subject to such award, or the amount to be credited to such Participant’s Deferral Account. In the case of a Director who first becomes a Director by reason of appointment or election as a Director, any such initial equity award shall be granted on the tenth New York Stock Exchange trading day after such appointment or election.

- (v) **“Eligible Individual”** shall mean those individuals selected by the Committee from (1) those employees of the Company who either (A) are Executive Officers or (B) have Base Salary for a calendar year that is at least \$170,000 (at least \$175,000 starting in calendar year 2021), as adjusted by the Committee from time to time and (2) those Directors who are not employees of the Company. The Committee may, in its sole discretion, select such other individuals to participate in the Plan who do not otherwise meet the foregoing criteria. Except as otherwise provided by the Committee or the Administrator, an Eligible Individual who is not a Director shall first become eligible to participate in the Plan on first day of the first calendar quarter that occurs at least thirty (30) days after the Eligible Individual commences employment in a covered category as set forth in subparagraph 1.2(v)(A) or (B) (and, to the extent applicable, is selected as an Eligible Individual under the Plan). A Director shall become a Participant in the Plan in accordance with Section 2.2 on the date of such Director’s appointment or election as a Director.
- (w) **“Employer Matching Account”** shall mean the bookkeeping account maintained under the Plan for each Participant that is credited with an amount equal to the Employer Matching Contribution, if any, debited by amounts equal to all distributions to and withdrawals made by the Participant and/or his Beneficiary and adjusted for investment earnings and losses pursuant to Article V.
- (x) **“Employer Matching Contributions”** shall mean the employer matching contribution made to the Plan pursuant to Section 3.3.
- (y) **“ERISA”** shall mean the Employee Retirement Income Security Act of 1974, as amended, and all applicable rules and regulations thereunder.
- (z) **“Exchange Act”** shall mean the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder.
- (aa) **“Executive Officer”** shall mean an employee of the Company who (i) is designated by the Board as an executive officer of Sempra pursuant to Rule 3b-7 of the Exchange Act, (ii) participates in the Sempra Supplemental Executive Retirement Plan, or (iii) who is otherwise designated as an Executive Officer by the Committee.
- (bb) **“401(k) Plan”** shall mean the Sempra Savings Plan, as in effect from time to time, maintained by Sempra under Section 401(k) of the Code.
- (cc) **“Manager”** shall mean an employee of the Company who is an Eligible Individual, other than an Executive Officer or a Director.
- (dd) **“Measurement Fund”** shall mean one or more of the investment funds selected by the Committee pursuant to Section 4.1.
- (ee) **“Moody’s Plus Rate”** shall mean the Moody’s Rate (as defined below) plus the greater of (1) 10% of the Moody’s Corporate Bond Yield Average – Monthly Average Corporates as published by Moody’s Investors Service, Inc. (or any successor) or (2) one percentage point per annum. The Moody’s Rate for a month means the average of the daily Moody’s Corporate Bond Yield Average – Monthly Average Corporates for the applicable month. Unless otherwise designated by the Committee, the “applicable month” shall be the month of June in the prior year.

- (ff) "**Nonelective Phantom Share Amount**" shall mean the dollar amount designated by the Board for purposes of subsection 3.1(f) to be invested in the Sempra Stock Fund.
- (gg) "**Participant**" shall mean any Eligible Individual who becomes a Participant in accordance with Article II and who has not received a complete distribution of the amounts credited to his Accounts.
- (hh) "**Payroll Date**" shall mean, with respect to any Participant, the date on which he would otherwise be paid Compensation.
- (ii) "**Payment Date**" shall mean the business day determined by the Committee or the Administrator that is on or within thirty (30) calendar days after one of the following dates as designated by the Participant in his distribution form election with respect to a Plan Year:

(1) the first business day of the first calendar month on or next following thirty (30) calendar days after the date of the Participant's Separation from Service or Disability,

(2) the first business day of the first, second, third, fourth or fifth calendar year next following the date of the Participant's Separation from Service or Disability; or

(3) such other date provided by the Committee or the Administrator (or elected by the Participant in accordance with rules established by the Committee or the Administrator), in any case which does not violate the requirements of Section 409A of the Code.

"Payment Date" shall also mean the Scheduled Withdrawal Date elected in accordance with the provisions of subsection 7.1(b).

- (jj) "**Person**" means any person, entity or "group" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, except that such term shall not include (1) Sempra or any of its Affiliates, (2) a trustee or other fiduciary holding securities under an employee benefit plan of Sempra or any of its Affiliates, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, (4) a corporation owned, directly or indirectly, by the shareholders of Sempra in substantially the same proportions as their ownership of stock of Sempra, or (5) a person or group as used in Rule 13d-1(b) under the Exchange Act.
- (kk) "**Plan**" shall mean the Sempra Employee and Director Savings Plan set forth herein, as amended from time to time.
- (ll) "**Plan Year**" shall mean the twelve (12) consecutive month period beginning on each January 1 and ending on each December 31.
- (mm) "**QDRO**" shall mean a domestic relations order that constitutes a "qualified domestic relations order" within the meaning of the Code or ERISA.

- (nn) “**Restricted Stock Units**” shall mean restricted stock units granted to a Participant under the Sempra 2008 Long Term Incentive Plan, Sempra 2013 Long-Term Incentive Plan, the Sempra 2019 Long-Term Incentive Plan, and any successor plan(s) thereto.
- (oo) “**Rule 16b-3**” shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.
- (pp) “**Scheduled Withdrawal Date**” shall be in January in the year elected by the Participant for an in-service withdrawal elected in accordance with subsection 3.2(c), as set forth on the election forms for such Plan Year. If the day elected by the Participant is not a business day, the Scheduled Withdrawal Date shall be deemed to be the next following business day.
- (qq) “**Sempra Stock Fund**” shall mean the Measurement Fund in which investment earnings and losses parallel the investment return on the common stock of Sempra.
- (rr) “**Separation from Service**” shall mean, with respect to a Participant, the Participant’s “separation from service,” as defined in Treasury Regulation Section 1.409A-1(h).
- (ss) “**SERP Lump Sum**” shall mean the lump sum retirement benefit that would be payable to an Executive Officer who is a Plan Participant under either the Sempra Supplemental Executive Retirement Plan or the Sempra Cash Balance Restoration Plan.
- (tt) “**Specified Employee**” shall mean a specified employee determined in accordance with the requirements of Section 409A of the Code.
- (uu) “**Subaccount**” or “**Subaccounts**” shall mean the subaccount or subaccounts maintained with respect to a Participant’s Deferral Account or Employer Matching Account.
- (vv) “**Valuation Date**”, with respect to the Measurement Funds that are available under the 401(k) Plan, shall have the same meaning as under the 401(k) Plan. For purposes of the Measurement Fund based on Moody’s Plus Rate, “Valuation Date” shall mean the last day of the calendar month.

**ARTICLE II.  
PARTICIPATION**

**2.1 Commencement of Participation**

Subject to Section 2.2, an Eligible Individual shall become a Participant in the Plan by (a) electing to make deferrals in accordance with Section 3.1 and (b) filing such other forms as the Committee or the Administrator may reasonably require for participation hereunder.

**2.2 Newly Appointed or Elected Directors**

A Director who first becomes an Eligible Individual during a Plan Year by reason of appointment or election as a Director shall become a Participant on the date of such appointment or



election. Such Eligible Individual may elect to make deferrals in accordance with Section 3.1 and shall file such forms as the Committee or the Administrator reasonably requires.

### **ARTICLE III. CONTRIBUTIONS**

#### **3.1 Elections to Defer Compensation**

(a) **General Rule.** Each Eligible Individual may defer Compensation for a Plan Year by filing with the Committee or the Administrator a Deferral Election Form for such Plan Year that conforms to the requirements of this Section 3.1, no later than the last day of the applicable Election Period for such Plan Year, and such deferral election shall become irrevocable on the last day of the applicable Election Period for such Plan Year (or such later date permitted by the Committee or the Administrator consistent with the requirements of Section 409A of the Code). Unless otherwise provided by the Committee, an Eligible Individual who first becomes eligible to participate in the Plan during a Plan Year may elect to defer Compensation for such Plan Year; provided, however, that any such election to defer Compensation for such Plan Year must be filed during the Election Period prior to the effective date of such election, shall be irrevocable when made, and shall be effective only for Compensation that constitutes compensation for services performed during periods during the Plan Year beginning after the effective date of such election. Notwithstanding the previous sentence, if an Eligible Individual's Bonus (or portion thereof) is a performance-based compensation within the meaning of Section 409A of the Code, the Committee or the Administrator may permit such Eligible Individual to file an election to defer such Bonus (or such portion thereof), or change such Eligible Individual's prior election to defer such Bonus (or such portion thereof), no later than the date that is six (6) months before the end of the performance period over which such services are to be performed, under the terms and conditions that may be specified by the Committee or the Administrator, in accordance with Section 409A of the Code, and such deferral election shall become irrevocable on the date that is six (6) months before the end of the performance period.

(b) **Special Rules.** Notwithstanding the above, the following restrictions apply to deferrals of certain elements of Compensation:

(1) **Restricted Stock Units.** Each Eligible Individual designated by the Committee as eligible to defer Restricted Stock Units, may elect to defer Restricted Stock Units (or a portion thereof), in accordance with such rules as the Committee may establish, which such rules shall not be inconsistent with the deferral election rules set forth in Sections 3.1 and 3.2 or the distribution provisions of Section 7.1. In order to defer Restricted Stock Units (or a portion thereof), an eligible Participant must file the appropriate Deferral Election Form no later than the election date required under Section 409A of the Code. The Participant's election to defer Restricted Stock Units (or a portion thereof) shall apply only if the Restricted Stock Units (or portion thereof) constitute a legally binding right to a payment of compensation in a subsequent taxable year and, absent a deferral election, would be treated as a short-term deferral, within the meaning of Section 409A of the Code. Any deferral election that does not satisfy the requirements for an initial deferral election under Section 409A of the Code shall be irrevocable when made and shall be made in accordance with Section 409A of the Code, applied as if the amount were a deferral of compensation and the scheduled payment date for the amount were the date the substantial risk of forfeiture lapses. Such subsequent deferral election shall be irrevocable when made, shall be made at least twelve (12) months prior to the first date on which Restricted Stock Units are scheduled to be paid (or, in the case of installment payments, twelve (12) months prior to the date on which the first amount is to be

paid), and shall not take effect until at least twelve (12) months after the date on which the election is made. Such deferral election shall provide that the amount deferred shall be deferred for a period of not less than five (5) years from the date the payment of the amount deferred would otherwise have been made (or, in the case of installment payments treated as a single payment as determined under Section 409A of the Code, five (5) years from the date the first amount was scheduled to be paid); provided, however, that such deferral election may provide that the deferred amounts will be payable upon a change in control event (within the meaning of Section 409A of the Code) without regard to the five (5) year additional deferral requirement. Deferrals of Restricted Stock Units shall be invested in the Sempra Stock Fund and may not be moved to any other Measurement Fund. Notwithstanding anything contained in the Plan to the contrary, a Participant may not elect a Scheduled Withdrawal Date with respect to the deferral of any Restricted Stock Units.

(2) SERP Lump Sum. A Participant may elect to defer a SERP Lump Sum (or a portion thereof), to the extent permitted by the Committee. In order to defer a SERP Lump Sum (or a portion thereof), an eligible Participant must file the appropriate Deferral Election Form no later than the election date required under Section 409A of the Code. The Participant's election to defer a SERP Lump Sum (or a portion thereof) that does not satisfy the requirements for an initial deferral election under Section 409A of the Code shall satisfy the requirements of Section 409A of the Code as a subsequent deferral. Such deferral election shall be irrevocable when made, and shall not take effect until at least twelve (12) months after the date on which the election is made. Such deferral election shall provide that the amount deferred shall be deferred for a period of not less than five (5) years from the date the payment of the amount deferred would otherwise have been made (or, in the case of installment payments treated as a single payment, five (5) years from the date the first amount was scheduled to be paid) in accordance with Section 409A of the Code.

(3) Elective Phantom Share Amounts. A Participant who is a Director and is entitled to receive an initial or annual equity award from Sempra, in the form of an award of Restricted Stock Units or an amount credited to his Deferral Account, may elect to have the Elective Phantom Share Amount with respect to such award credited to his Deferral Account (in lieu of such award of Restricted Stock Units) and defer such Elective Phantom Share Amount. In order to elect such credit and deferral of the Elective Phantom Share Amount with respect to such an equity award, an eligible Participant must file the appropriate Deferral Election Form no later than the last day of the applicable Election Period for the Plan Year during which such equity award is granted, and such deferral election shall become irrevocable on the last day of the applicable Election Period for such Plan Year. A Director who first becomes a Participant during a Plan Year may make a deferral election during such Plan Year in accordance with subparagraph 1.2(t)(2)(A). Such an election to defer an Elective Phantom Share Amount with respect to an equity award granted during a Plan Year must be filed during the Election Period prior to the effective date of such election and shall be irrevocable when made and shall be effective only for an Elective Phantom Share Amount that constitutes compensation for services performed after the effective date of such election. If a Participant fails to elect such credit and deferral of the Elective Phantom Share Amount with respect to such an equity award, the Participant's equity award shall not be deferred and shall be made in the form of an award of Restricted Stock Units. A Participant shall make a separate election to defer Elective Phantom Share Amounts for each Plan Year.

(c) Deferral Amounts. The amount of Base Salary or Bonus that a Participant may elect to defer for a Plan Year is such Base Salary or Bonus earned on or after the time at which the Participant elects to defer for such Plan Year in accordance with subsection 3.1(a), and that is earned during the Plan Year to which the deferral election relates (other than with respect to subsequent deferrals of previously deferred amounts or other amounts that are treated as subsequent deferrals for purposes of Section 409A of the Code). In no event shall a Participant be permitted to defer any amount of Compensation earned prior to the date of the deferral election or attributable to services performed prior to the date of the

deferral election (other than with respect to subsequent deferrals of previously deferred amounts or other amounts that are treated as subsequent deferrals for purposes of Section 409A of the Code or as permitted under the Plan relating to performance-based compensation).

(1) Each Participant who is a Manager shall be permitted to defer, in any whole percentage: (A) from 6% to 85% of Base Salary, (B) from 6% to 85% of his Bonus, and (C) if permitted by the Committee, between 10% and 100% of such Participant's Restricted Stock Units, subject to subsection 3.1(b).

(2) Each Participant who is an Executive Officer shall be permitted to defer, in any whole percentage: (A) from 6% to 85% of Base Salary, (B) from 6% to 85% of his Bonus and (c) from 10% to 100% of such Participant's Restricted Stock Units and SERP Lump Sum, subject to subsection 3.1(b).

(3) Each Participant who is a Director: (A) shall be permitted to defer, in any whole percentage, from 10% to 100% of his Compensation (other than Elective Phantom Share Amounts and Nonelective Phantom Share Amounts), and (B) shall be permitted to defer 100% of his Elective Phantom Share Amounts. In the case of a Participant who is a Director, 100% of such Participant's Nonelective Phantom Share Amounts shall be deferred under subsection 3.1(f).

Notwithstanding the limitations established above, the total amount deferred by a Participant shall be limited in any calendar year, if necessary, to satisfy the Participant's income and employment tax withholding obligations (including Social Security, unemployment and Medicare), and the Participant's employee benefit plan contribution requirements, determined on the first day of the Election Period for such Plan Year, in any case as determined by the Committee or the Administrator, as applicable.

(d) Duration of Deferral Election.

(1) A Participant shall not modify or suspend his election to defer Compensation during a Plan Year.

(2) A Participant must file a new deferral election for each subsequent Plan Year. In the event a Participant fails to file a timely deferral election for the next Plan Year, he shall be deemed to have elected not to defer any Compensation for such Plan Year.

(3) A Participant's election to defer all or any portion of his SERP Lump Sum shall automatically become void in the event the Participant dies or becomes disabled while employed by the Company.

(4) A Participant who is a Director must file a new deferral election for the Elective Phantom Share Amounts for the equity awards granted during each Plan Year. In the event a Participant fails to file a timely deferral election for the next Plan Year, he shall be deemed to have elected not to defer the Elective Phantom Share Amounts for the equity awards granted during such Plan Year.

(e) Elections. Any Eligible Individual who does not elect to defer Compensation during his Election Period for a Plan Year may subsequently participate in the Plan in accordance with the terms and conditions of the Plan.

(f) Nonelective Compensation Deferrals for Directors. The Board may determine from time to time whether deferrals of Nonelective Phantom Share Amounts shall be credited to the Deferral Accounts of one or more Participants who are Directors. The Board shall designate the Nonelective Phantom Share Amounts and any conditions under which a Director shall be entitled to have Nonelective

Phantom Share Amounts credited to his Deferral Account. A Nonelective Phantom Share Amount credited to a Director's Deferral Account shall constitute compensation for services to be performed by the Director during a calendar quarter, and the Nonelective Phantom Share Amount for such calendar quarter shall be credited to the Director's Deferral Account on the first New York Stock Exchange trading day of such calendar quarter; provided, however, that, in the case of a Director who first becomes a Director by reason of appointment or election as a Director, for purposes of the calendar quarter during which such appointment or election occurs, such Director's Deferral Account shall be credited with a prorated portion of the Nonelective Phantom Share Amount for the portion of such calendar quarter (if any), commencing on the tenth New York Stock Exchange trading day after such Director's appointment or election and ending on the last day of the calendar quarter, and any such prorated portion of the Nonelective Phantom Share Amount shall constitute compensation for services to be performed by the Director during the period commencing on such tenth New York Stock Exchange trading day and ending on the last day of such calendar quarter and shall be determined based on the portion of such calendar quarter that comprises such period and such prorated portion of the Nonelective Phantom Share Amount shall be credited to the Director's Deferral Account on the New York Stock Exchange trading day next following the last day of such calendar quarter. The service period for a Nonelective Phantom Share Amount (or a prorated Nonelective Phantom Share Amount) shall be the calendar quarter, or portion thereof, during which the Director performs services for which such Nonelective Phantom Share Amount (or prorated Phantom Share Amount) constitutes compensation. Such Nonelective Phantom Share Amounts shall be deferred on a nonelective basis. An eligible Participant must file the appropriate Deferral Election Form with respect to the Nonelective Phantom Share Amounts that constitute compensation for services performed during periods during the Plan Year beginning after the effective date of such election, for purposes of electing the Payment Date and the form of distribution of such Nonelective Phantom Share Amounts, no later than the last day of the applicable Election Period for the Plan Year during which such Nonelective Phantom Share Amounts are credited, and such deferral election shall become irrevocable on the last day of the applicable Election Period for such Plan Year. The Committee or the Administrator shall permit such a Participant who first becomes a Participant during a Plan Year to have his first Election Period with respect to such election of the Payment Date and the form of distribution during such Plan Year determined in accordance with subparagraph 1.2(t)(2)(B). Such an election as to the Payment Date and the form of distribution must be filed during the Election Period prior to the effective date of such election and shall be irrevocable when made and shall be effective only for a Nonelective Phantom Share Amount that constitutes compensation for services performed after the date of such election.

- (g) Termination of Participation and/or Deferrals. If the Committee or the Administrator determines in good faith that a Participant no longer qualifies as a Director or a member of a select group of management or highly compensated employees, as membership in such group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee or the Administrator shall have the right, in its sole discretion and only for purposes of preserving the Plan's exemption from Title I of ERISA, to prevent the Participant from making deferral elections for future Plan Years.

## 3.2 Distribution Elections.

- (a) General Rule. Each Participant shall make a separate distribution election with respect to each Plan Year for which such Participant elects to defer Compensation in accordance with Section 3.1. In the case of each Participant who is a Director, such Participant shall make a separate distribution election with respect to each Plan Year without regard to whether such Participant elects to defer Compensation in accordance with Section 3.1. A Participant's distribution election with respect to a Plan Year shall apply to: (1) the Subaccount in his Deferral Account to which shall be credited the amount equal to the portion of his Compensation earned during such Plan Year that he elects to defer pursuant to Section 3.1, (2) in the case of a Participant who is a Director, the Subaccount in his Deferred Account to which shall be credited any Elective Phantom Share Amounts for equity awards granted during such Plan Year that he elects to defer pursuant to Section 3.1, and the Subaccount in his Deferral Account to which shall be credited any Nonelective Phantom Share Amounts during such Plan Year pursuant to subsection 3.1(f), and (3) the Subaccount in his Employer Matching Account to which shall be credited the amount equal to the Employer Matching Contribution for such Plan Year. A Participant may elect any Payment Date described in subsection 1.2(ii), and may elect distribution in the normal form, as described in paragraph 7.1(a)(1), or an optional form described in paragraph 7.1(a)(2). Such Payment Date and distribution form elections shall be made on such Participant's Deferral Election Form during the Election Period for which such Participant elects to defer Compensation under Section 3.1 for such Plan Year, and such Payment Date and distribution form elections with respect to such Plan Year shall be irrevocable, except as provided in subsection 3.2(b). In the event a Participant fails to elect a Payment Date for his Distributable Amount with respect to a Plan Year, his Payment Date for his Distributable Amount with respect to such Plan Year shall be the date described in paragraph 1.2(ii)(1). In the event a Participant fails to make a distribution form election for his Distributable Amount with respect to a Plan Year, his Distributable Amount with respect to such Plan Year shall be distributed in the normal form, as described in paragraph 7.1(a)(1) in the event of his Separation from Service or Disability, except as provided in subsection 3.2(b). Except as provided in subsection 3.2(b), a Participant's distribution for his Distributable Amount with respect to a Plan Year shall be made or commence on such Participant's Payment Date.
- (b) Changes to Distribution Form Election. Subject to subsection 3.2(e), a Participant may change his distribution form election for his Distributable Amount with respect to a Plan Year in accordance with this subsection 3.2(b) as follows:
- (1) Change from Lump Sum. If such Participant elected to receive the distribution of his Distributable Amount with respect to a Plan Year in the event of his Separation from Service or Disability in a lump sum, such Participant may change such distribution form election by making a new distribution form election for his Distributable Amount with respect to such Plan Year providing for distribution in one of the following forms, with such distribution made or commencing on the fifth anniversary of his Payment Date:
- (A) a lump sum,
  - (B) annual installments (calculated as set forth in paragraph 7.1(a)(6)) over five (5) years,

- (C) annual installments (calculated as set forth in paragraph 7.1(a)(6) over ten (10) years, or
- (D) annual installments (calculated as set forth in paragraph 7.1(a)(6)) over fifteen (15) years.

(2) Change from Installments. If such Participant elected to receive the distribution of his Distributable Amount with respect to a Plan Year in the event of his Separation from Service or Disability in annual installments over five (5), ten (10) or fifteen (15) years, such Participant may change such distribution form election by making a new distribution form election for his Distributable Amount with respect to such Plan Year providing for distribution in one of the following forms, with such distribution commencing on the fifth anniversary of his Payment Date:

- (i) annual installments (calculated as set forth at paragraph 7.1(a)(6)) over the period of years specified in such Participant's initial distribution form election, or
- (ii) annual installments (calculated as set forth at paragraph 7.1(a)(6)) over a period of either ten (10) years or fifteen (15) years, provided that such period exceeds the period of years specified in such Participant's initial distribution form election.

(3) A Participant may make only one change to his distribution form election with respect to a Plan Year under this subsection 3.2(b).

- (c) Election of Scheduled Withdrawal Date. A Participant may elect a Scheduled Withdrawal Date with respect to his deferrals of Compensation (the "Withdrawal Amount") with respect to a Plan Year. Such election of a Scheduled Withdrawal Date for such Participant's Withdrawal Amount with respect to a Plan Year shall be made by such Participant during the Election Period for which such Participant elects to defer Compensation under Section 3.1 for such Plan Year, and such election of a Scheduled Withdrawal Date shall be irrevocable, except as provided in subsection 3.2(d). A Participant may make separate Scheduled Withdrawal Date elections for his deferrals of Compensation with respect to different Plan Years. A Participant's Withdrawal Amount with respect to a Plan Year shall be credited to Subaccounts under such Participant's Accounts for such Plan Year. A Participant shall not be required to elect a Scheduled Withdrawal Date with respect to his deferrals of Compensation for a Plan Year and, if a Participant fails to make an election of a Scheduled Withdrawal Date for a Plan Year, no Scheduled Withdrawal Date shall apply with respect to his deferrals of Compensation for such Plan Year. For purposes of the Plan, the deferrals of Compensation included as part of the Withdrawal Amount (i) shall be adjusted for investment earnings and losses in the case of elections made on or after November 10, 2016 and (ii) shall be adjusted for investment losses (but not investment earnings) in the case of elections made prior to November 10, 2016.
- (d) Change of Scheduled Withdrawal Date. Subject to subsection 3.2(e), if a Participant elected a Scheduled Withdrawal Date with respect to his deferrals of Compensation with respect to a Plan Year in accordance with subsection 3.2(c), such Participant may change such Scheduled Withdrawal Date for the Withdrawal Amount with respect to such Plan Year by electing a new Scheduled Withdrawal Date for the Withdrawal Amount with respect to such Plan Year that is not less than five (5) years later than the Scheduled Withdrawal Date previously elected by such Participant for such Plan Year. A Participant who has not elected a Scheduled Withdrawal Date for his deferrals of Compensation in accordance with

subsection 3.2(c) for a Plan Year may not subsequently elect a Scheduled Withdrawal Date for his deferrals of Compensation for such Plan Year. A Participant may make only one change to the Scheduled Withdrawal Date with respect to each Plan Year under this subsection 3.2(d).

(e) Limitation on Distribution Changes. A Participant's election to change his distribution form election with respect to a Plan Year under subsection 3.2(b), or change of a Scheduled Withdrawal Date with respect to a Plan Year under subsection 3.2(d), shall be subject to the following limitations:

(1) The Participant's election to change his distribution election form with respect to a Plan Year, or change his Scheduled Withdrawal Date with respect to a Plan Year, shall not take effect until at least twelve (12) months after his election to change the distribution form election, or Scheduled Withdrawal Date, is made. If the distribution of such Participant's Distributable Amount with respect to a Plan Year (in the case of a change in his distribution election form), or the distribution of the Withdrawal Amount with respect to such Plan Year (in the case of a change in his Scheduled Withdrawal Date), is made or commence before the election to change his distribution form election or Scheduled Withdrawal Date, as the case may be, becomes effective, the election to change his distribution form election or Scheduled Withdrawal Date shall not thereafter become effective, and distributions shall be made in accordance with the distribution form election, and Scheduled Withdrawal Date (if any), as applicable, in effect prior to the Participant's election to change.

(2) The Participant's election to change his distribution election form with respect to a Plan Year, or change his Scheduled Withdrawal Date with respect to a Plan Year, shall provide that each payment with respect to such new distribution form election, or new Scheduled Withdrawal Date, shall be deferred for a period of not less than five (5) years from the date such payment would otherwise have been made.

(3) The Participant's election to change his Scheduled Withdrawal Date with respect to a Plan Year shall not be made less than twelve (12) months prior to the date of the first scheduled payment under the Participant's initial election of the Scheduled Withdrawal Date with respect to such Plan Year.

The limitations under this subsection 3.2(e) shall be applied in accordance with Section 409A of the Code.

### 3.3 Employer Matching Contributions.

- (a) The Company shall make an Employer Matching Contribution for each payroll date during a Plan Year, on behalf of each Participant who is employed by the Company on such payroll date and who makes deferrals of Base Salary and/or Bonus under Article III, in an amount equal to the sum of (1) 50% of the first 6% of Base Salary and Bonus deferred under Article III for such payroll period plus (2) 20% of the next 5% of Base Salary and Bonus deferred under Article III for such payroll period, reduced by (3) the amount of the matching contributions that would have been made under the 401(k) Plan for such payroll period if the Participant had contributed 11% of his eligible compensation (or such other amount that represents the maximum level of pre-tax salary reduction contributions (including catch-up contributions) and/or Roth elective contributions with respect to which matching contributions would have been made on behalf of the Participant under the 401(k) Plan for the applicable period). For the avoidance of doubt, the amount of the reduction under paragraph (3) shall be the maximum amount of matching contributions that could have been made under 401(k) Plan on behalf of the Participant (regardless of whether such matching contributions were actually made under the 401(k) Plan).

Notwithstanding the foregoing, in no event shall the Employer Matching Contributions made pursuant to this subsection 3.3(a) exceed 100% of the matching contributions that would have been provided under the 401(k) Plan absent any plan-based restrictions or limitations on contributions to qualified plans under the Code.

If a Participant is employed by more than one corporation that is included in the Company, the foregoing computation shall be applied to each such corporation based on the portion of the Plan Year during which the Participant was employed by such corporation. Notwithstanding the above, the Committee reserves the right to change or eliminate the Employer Matching Contribution in its sole discretion for any subsequent Plan Year.

- (b) The Employer Matching Contribution for a Plan Year shall be credited to a Participant's Employer Matching Account in the manner determined by the Committee or the Administrator.

### 3.4 FICA and Other Taxes.

- (a) Withholding, Generally. The Company shall have the right to withhold from any payments due under the Plan (or with respect to amounts credited to the Plan) any taxes required by law to be withheld in respect of such payment (or credit).
- (b) Annual Deferral Amounts. For each Plan Year in which a Participant who is an employee makes a deferral under Section 3.1, the Participant's employer shall withhold from that portion of the Participant's Compensation that is not being deferred, in a manner determined by the employer, the Participant's share of FICA and other employment taxes on such amount. If necessary, the Committee or the Administrator may reduce the Participant's deferrals under Section 3.1 or make deductions from his Deferral Account in order to comply with this Section 3.4, to the extent permitted under Section 409A of the Code.
- (c) Employer Matching Amounts. For each Plan Year in which a Participant is credited with a contribution to his Employer Matching Account under Section 3.3,



the Participant's employer shall withhold from the Participant's Compensation that is not deferred, in a manner determined by the employer, the Participant's share of FICA and other employment taxes. If necessary, the Committee or the Administrator may reduce the Participant's Employer Matching Account in order to comply with this Section 3.4, to the extent permitted under Section 409A of the Code.

- (d) Sempra Stock Fund. With respect to distributions of all or a portion of balances invested in the Sempra Stock Fund, withholding obligations shall be satisfied through the surrender of the applicable withholding percentage of such distributed balances (or portion thereof) in the Sempra Stock Fund. Unless otherwise approved by the Committee, withholding obligations for Restricted Stock Units deferred into the Plan shall be satisfied by payment by the applicable Participant, deducted from other Compensation payable to such Participant which has not been deferred under the Plan, or a combination of these methods.

#### **ARTICLE IV. INVESTMENTS**

##### 4.1 Measurement Funds.

- (a) Election of Measurement Funds. In the manner designated by the Committee or the Administrator, Participants may elect one or more Measurement Funds to be used to determine the additional amounts to be credited to their Accounts. Although the Participant may designate the available Measurement Funds that will be used to determine additional amounts to be credited to their Accounts, neither the Committee nor the Administrator shall be bound to make actual investments in such Measurement Funds based on the Participant's election. If the Committee designates a substitute Measurement Fund for a Participant (without regard to the Participant's election), the substitute Measurement Fund must provide the Participant with an investment opportunity reasonably comparable to the original Measurement Funds elected by the Participant, as determined by the Committee in its sole discretion. The Committee shall select from time to time, in its sole discretion, the Measurement Funds to be available under the Plan.
- (b) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation to his Accounts thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Accounts shall not be considered or construed in any manner as an actual investment of his Accounts in any such Measurement Fund. In the event that the Committee, the Administrator, or the trustee, as applicable, in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Accounts shall at all times be a bookkeeping entry only and shall not represent any investment made on his behalf by the Company. The Participant shall at all times remain an unsecured creditor of the Company

##### 4.2 Investment Elections.

- (a) Participants.

(1) Deferral Accounts. Except as provided in paragraph 4.2(a)(2) and Section 4.3, Participants may designate how their Deferral Accounts shall be deemed to be invested under the Plan.

(A) Such Participants may make separate investment elections for (I) their future deferrals of Compensation and (II) the existing balances of their Deferral Accounts.

(B) Such Participants may make and change their investment elections by choosing from the Measurement Funds designated by the Committee in accordance with the procedures established by the Committee or the Administrator.

(C) Except as otherwise designated by the Committee, the available Measurement Funds under this paragraph 4.2(a)(1) shall be the investment funds under the 401(k) Plan (excluding the Stable Value Fund and any brokerage account option), the Sempra Stock Fund and the Measurement Fund based on the Moody's Plus Rate.

(D) If a Participant fails to elect a Measurement Fund under this subsection 4.2(a), he shall be deemed to have elected the Measurement Fund based on the Moody's Plus Rate (unless a different default fund is designated by the Committee) for all of his Accounts.

(2) Employer Matching Account and Certain Deferral Subaccounts.

(A) (2) Employer Matching Account and Certain Deferral Subaccounts. Unless otherwise provided by the Committee or the Administrator, Employer Matching Contributions credited to a Participant's Employer Matching Account shall be invested in Measurement Funds in the same proportion as the corresponding deferrals of Compensation that are credited to his Deferral Account. Unless otherwise provided by the Committee, a Participant may, however, transfer the investment of the Employer Matching Contributions credited to his Employer Matching Account into any Measurement Fund and may change their investment elections by choosing from the Measurement Funds designated by the Committee in accordance with the procedures established by the Committee or the Administrator. The deferrals of a Participant's Restricted Stock Units credited to such Participant's Deferral Account shall be deemed invested in the Sempra Stock Fund and may not be moved into any other Measurement Fund.

(B) The deferrals of Elective Phantom Share Amounts and Nonelective Phantom Share Amounts credited to a Participant's Deferral Account shall be initially deemed invested in the Sempra Stock Fund and shall remain deemed invested in the Sempra Stock Fund until the Participant's Separation from Service. After the Participant's Separation from Service, a Participant may direct the investment of the Elective Phantom Share Amount Subaccounts or Nonelective Phantom Share Amount Subaccounts of the Participant's Deferral Account into any other Measurement Fund, as permitted by the Committee.

(b) Continuing Investment Elections. Participants who have had a Separation From Service but not yet commenced distributions under Article VII or Participants or Beneficiaries who are receiving installment payments may continue to make investment elections as permitted under subsection 4.2(a) except as otherwise determined by the Committee.

#### 4.3 Compliance with Section 16 of the Exchange Act.

(a) Any Participant or Beneficiary who is subject to Section 16 of the Exchange Act shall have his Measurement Fund elections under the Plan subject to the requirements of the Exchange Act, as interpreted by the Committee. Any such

Participant or Beneficiary who either (i) transferred amounts from another available Measurement Fund under the Plan into the Sempra Stock Fund or (ii) transferred any amounts from the Sempra Stock Fund to another available Measurement Fund under the Plan may not make an election with the opposite effect under this Plan or any other Company-sponsored plan until six (6) months and one (1) day following the original election.

- (b) Notwithstanding any other provision of the Plan or any rule, instruction, election form or other form, the Plan and any such rule, instruction or form shall be subject to any additional conditions or limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, such Plan provision, rule, instruction or form shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

## **ARTICLE V.** **ACCOUNTS**

### 5.1 Accounts.

- (a) The Committee or the Administrator shall establish and maintain a Deferral Account, and an Employer Matching Account for each Participant under the Plan. Each Participant's Accounts shall be divided into separate Subaccounts in accordance with Section 5.2. Each such Subaccount shall be further divided into separate investment fund Subaccounts, each of which corresponds to a Measurement Fund elected by the Participant pursuant to Section 4.2. In addition, Participants' Deferral Accounts shall be further divided into Subaccounts consisting of deferred Restricted Stock Units, Elective Phantom Share Amounts, and Nonelective Phantom Share Amounts. A separate Subaccount shall be maintained for each deferral of Restricted Stock Units, Nonelective Phantom Share Amount and Elective Phantom Share Amount.
- (b) The performance of each elected Measurement Fund (either positive or negative) shall be determined by the Committee or the Administrator, in its reasonable discretion, based on the performance of the Measurement Funds themselves. A Participant's Accounts shall be credited or debited on each Valuation Date, as determined by the Committee or the Administrator in its reasonable discretion, based on the performance of each Measurement Fund selected by the Participant as though (i) a Participant's Accounts were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to such period, as of the close of business on the first business day of such period, at the fair market value on such date; (ii) the portion of the Participant's Compensation that was actually deferred pursuant to Section 3.1 during any period were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to such period, no later than the close of business on the first business day after the day on which such amounts are actually deferred from the Participant's Compensation, at the fair market value on such date; and (iii) any withdrawal or distribution made to a Participant that decreases such Participant's Accounts ceased being invested in the Measurement Fund(s), in the percentages applicable to such period, no earlier than one (1) business day prior to the distribution, at the fair market value on such date. The Participant's Employer Matching Contribution for a Plan Year shall be credited to his Employer Matching Account for purposes of

this subsection 5.1(b), in the manner determined on the first day of the Election Period for such Plan Year, as determined by the Committee or the Administrator.

## 5.2 Subaccounts.

- (a) The Committee or the Administrator shall establish and maintain, with respect to a Participant's Deferral Account, a Subaccount with respect to each Plan Year, to which shall be credited the amount equal to the portion of the Participant's Compensation earned during such Plan Year that he elects to defer pursuant to Section 3.1, debited by amounts equal to distributions to and withdrawals made by the Participant and/or his Beneficiary and adjusted for investment earnings and losses pursuant to Article V.
- (b) The Committee or the Administrator shall establish and maintain, with respect to a Participant's Employer Matching Account, a Subaccount with respect to each Plan Year, to which shall be credited the amount equal to the Employer Matching Contributions made pursuant to Section 3.3 on behalf of such Participant in respect of such Participant's Compensation earned during such Plan Year that he elects to defer pursuant to Section 3.1, debited by amounts equal to distributions to and withdrawals made by the Participant and/or his Beneficiary and adjusted for investment earnings and losses pursuant to Article V.

### **ARTICLE VI. VESTING**

- (a) Subject to subsections (c) and (d), each Participant shall be 100% vested in his Deferral Account at all times.
- (b) Each Participant shall become 100% vested in his Employer Matching Account after completing one (1) year of continuous employment with the Company; provided, however, that a Participant who had an Employer Matching Account under the Plan immediately prior to the Effective Date shall be 100% vested in his Employer Matching Account at all times.
- (c) A Participant's deferred Restricted Stock Units credited to a Subaccount of such Deferred Account shall be subject to the vesting conditions applicable to the Restricted Stock Unit award. The Subaccount of such Participant's Deferral Amount for a deferred Restricted Stock Unit award shall become vested in accordance with the vesting conditions applicable to such Restricted Stock Unit award. To the extent such Restricted Stock Unit award is forfeited, the Subaccount of such Participant's Deferral Account for such award shall be forfeited immediately following the event causing such forfeiture and the amount of such Subaccount shall be debited from such Deferral Account.
- (d) A Participant's deferred Elective Phantom Share Amount credited to a Subaccount of such Participant's Deferral Account shall be subject to the vesting conditions applicable to the initial or annual equity award for which such Elective Phantom Share Amount is credited. The Subaccount of such Participant's Deferral Account for a deferred Elective Phantom Share Amount shall become vested in accordance with the vesting conditions applicable to such equity award, except as provided in subsection 7.3(b). To the extent such equity award is forfeited, the Subaccount of such Participant's Deferral Account for such Elective Phantom Share Amount shall be forfeited immediately following the event causing such

forfeiture and the amount of such Subaccount shall be debited from such Deferral Account.

## **ARTICLE VII. DISTRIBUTIONS**

### 7.1 Distribution of Accounts.

(a) Distribution at Separation from Service or Disability.

(1) Normal Form.

(A) Except as provided in subparagraph (B), paragraph (2), paragraph (3) or Section 7.3, upon the Separation from Service or Disability of a Participant, a Participant's Distributable Amount with respect to each Plan Year beginning on or after January 1, 2011 shall be paid to the Participant in a lump sum in cash (or shares of Sempra common stock for Restricted Stock Unit Subaccounts) on the Participant's Payment Date. Except as provided in subparagraph (B), paragraph (2), paragraph (3) or Section 7.3, upon the Separation from Service or Disability of a Participant, a Participant's Distributable Amount with respect to each Plan Year beginning prior to January 1, 2011 shall be paid to the Participant in substantially equal annual installments in cash (calculated as set forth in paragraph 7.1(a)(6) over ten (10) years beginning on the Participant's Payment Date.

(B) Upon the Separation from Service of a Participant who is a Specified Employee (determined as of the date of Separation from Service), the distribution of the Participant's Distributable Amount shall be delayed until the first business day which is six (6) months after the date of such Participant's Separation from Service (or, if earlier, the date of such Participant's death) in accordance with Section 409A of the Code and shall be paid on the business day determined by the Committee or the Administrator that is on or within thirty (30) business days thereafter; provided, however, that if the Payment Date applicable to the Distributable Amount is later than the delayed payment date determined pursuant to this subparagraph 7.1(a)(1)(B), payment of the Distributable Amount shall be made on the Payment Date.

(2) Optional Forms. Instead of receiving his Distributable Amount with respect to each Plan Year as described at subparagraph 7.1(a)(1)(A), the Participant may elect in accordance with Section 3.2 one of the following optional forms of payment (on the form provided by Committee or the Administrator) (or shares of Sempra common stock for Restricted Stock Unit Subaccounts) at the time of his deferral election for such Plan Year:

(i) equal annual installments in cash (or shares of Sempra common stock for Restricted Stock Unit Subaccounts) (calculated as set forth in paragraph 7.1(a)(6)) over five (5) years beginning on the Participant's Payment Date,

(ii) equal annual installments in cash (or shares of Sempra common stock for Restricted Stock Unit Subaccounts) (calculated as set forth in paragraph 7.1(a)(6)) over ten (10) years beginning on the Participant's Payment Date, or

(iii) equal annual installments in cash (or shares of Sempra common stock for Restricted Stock Unit Subaccounts) (calculated as set forth in paragraph 7.1(a)(6)) over fifteen (15) years beginning on the Participant's Payment Date, or

(iv) a lump sum in cash (or shares of Sempra common stock for Restricted Stock Unit Subaccounts) .

The payment of such Participant's Distributable Amount with respect each Plan Year shall be made or commence on such Participant's Payment Date (or, if applicable, the date determined under subparagraph (a)(1)(B)).

(3) Distribution Election Changes. In the event that a Participant changes his distribution form election with respect to a Plan Year in accordance with subsection 3.2(b), and such new distribution form election becomes effective, upon the Separation from Service or Disability of such Participant, the Distributable Amount with respect to such Plan Year shall be paid to the Participant in accordance with such new distribution form election.

(4) Small Accounts. Notwithstanding provision to the contrary, in the event the total of a Participant's Distributable Amounts with respect to all Plan Years is equal to or less than \$25,000, such Distributable Amounts shall be distributed to the Participant (or his Beneficiary, as applicable) in a lump sum.

(5) Investment Adjustments. The Participant's Accounts shall continue to be adjusted for investment earnings and losses pursuant to Section 4.2 and Section 4.3 of the Plan until all amounts credited to his Accounts under the Plan have been distributed.

(6) Calculating Payments. All payments made under the Plan shall be determined in accordance with the following:

(i) All installment payments made under the Plan shall be determined in accordance with the annual fractional payment method, calculated as follows: the balance of Subaccounts in the Participant's Accounts with respect to a Plan Year shall be calculated as of the Payment Date. The annual installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one, and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects ten (10) year installments for the distribution of the Subaccounts in his Accounts with respect to a Plan Year, the first payment shall be 1/10 of the balance of such Subaccounts in his Accounts calculated as described in this definition. The following year, the payment shall be 1/9 of such Subaccounts in the balance of the Participant's Accounts, calculated as described in this definition. Each annual installment for an applicable year shall be paid on or as soon as practicable after the Payment Date (but in any event no later than the last business day of such applicable year).

(ii) All lump sum payments made under the Plan shall be calculated as of the close of business on the Payment Date. The lump sum shall be paid in accordance with the provisions of the Plan applicable thereto.

(b) Distribution on a Scheduled Withdrawal Date.

(1) In the case of a Participant who has elected a Scheduled Withdrawal Date for a distribution to be made prior to the Participant's Separation from Service or while still a Director, in each case to the extent permitted by the Plan, such Participant shall receive his Withdrawal Amount as shall have been elected by the Participant to be subject to the Scheduled Withdrawal Date. A Participant's Scheduled Withdrawal Date with respect to amounts of Compensation deferred in a given Plan Year must be at least three (3) years from the last day of the Plan Year for which such deferrals are made.

(2) The Withdrawal Amount shall be paid in a lump sum in cash.

(3) A Participant may elect to change the Scheduled Withdrawal Date for the Withdrawal Amount for any Plan Year in accordance with subsection 3.2(d).

(4) In the event of Participant's Separation from Service or Disability prior to a Scheduled Withdrawal Date, the Participant's entire Withdrawal Amount shall be paid in accordance with the Participant's election with respect to such Plan Year under subsection 7.1(a). In the event of a Participant's death prior to a Scheduled Withdrawal Date, the Participant's entire Withdrawal Amount shall be paid as soon as practicable after the Participant's death in a lump sum in cash.

- (c) Distribution upon Death. In the event a Participant dies before he has begun receiving distributions under subsection 7.1(a), his Accounts shall be paid to his Beneficiary in the same manner elected by the Participant. In the event a Participant dies after he has begun receiving distributions under subsection 7.1(a) with a remaining balance in his Accounts, the balance shall continue to be paid to his Beneficiary in the same manner.

## 7.2 Hardship Distribution.

A Participant shall be permitted to elect a Hardship Distribution of all or a portion of his Accounts under the Plan prior to the Payment Date, subject to the following restrictions:

- (a) The election to take a Hardship Distribution shall be made by filing the form provided by the Committee or the Administrator before the date established by the Committee or the Administrator.
- (b) The Committee or the Administrator shall have made a determination that the requested distribution constitutes a Hardship Distribution in accordance with subsection 7.2(d).
- (c) The amount determined by the Committee or the Administrator as a Hardship Distribution shall be paid in a single lump sum in cash as soon as practicable after the end of the calendar month in which the Hardship Distribution election is made and approved by the Committee or the Administrator. The Hardship Distribution shall be distributed proportionately from the Subaccounts in the Participant's Accounts, excluding the Restricted Stock Unit, Elective Phantom Share Amount or Nonelective Phantom Shares Amount Subaccounts and any amounts invested in the Sempra Stock Fund.
- (d) If a Participant receives a Hardship Distribution, the Participant shall be ineligible to contribute deferrals to the Plan for the remainder of the Plan Year in which the Hardship Distribution is received or the immediately following Plan Year. "Hardship Distribution" shall mean a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or of his dependent (as defined in Section 152(a) of the Code), (ii) loss of a Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, as determined by the Committee or the Administrator in accordance with Section 409A of the Code. The amount of the Hardship Distribution with respect to a severe financial hardship shall not exceed the amounts necessary to satisfy such hardship, plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), as determined by the Committee or the Administrator in accordance with Section 409A of the Code.

### 7.3 Effect of a Change in Control.

- (a) In the event there is a Change in Control, the person who is the chief executive officer (or, if not so identified, Sempra's highest ranking officer) shall name a third-party fiduciary as the sole member of the Committee immediately prior to such Change in Control and the appointed fiduciary, shall provide for the immediate distribution of the Accounts under the Plan in lump sum payments and cash to the extent permitted under Section 409A of the Code.
- (b) Upon a Change in Control, all unvested Elective Phantom Share Amounts credited to a Director's Account under the Plan shall vest.
- (c) Upon and after the occurrence of a Change in Control, the Company must (i) pay all reasonable administrative fees and expenses of the appointed fiduciary, (ii) indemnify the appointed fiduciary against any costs, expenses and liabilities including, without limitation, attorney's fees and expenses arising in connection with the appointed fiduciary's duties hereunder, other than with respect to matters resulting from the gross negligence of the appointed fiduciary or its agents or employees and (iii) timely provide the appointed fiduciary with all necessary information related to the Plan, the Participants and Beneficiaries.
- (d) Notwithstanding Section 9.3, in the event there is a Change in Control no amendment may be made to this Plan except as approved by the third-party fiduciary; provided, however, that in no event shall any amendment approved by the third-party fiduciary have any retroactive effect to reduce any vested amounts allocated to a Participant's Accounts. Upon a Change in Control, assets shall be placed in a rabbi trust in an amount which shall equal the full accrued liability under this Plan as determined by an actuarial firm appointed by the Board immediately prior to such Change in Control or, in the absence of such appointment, Willis Towers Watson or a successor actuarial firm.

### 7.4 Inability to Locate Participant.

In the event that the Committee or the Administrator is unable to locate a Participant or Beneficiary within two (2) years following the required Payment Date, the amount allocated to the Participant's Accounts shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings from the date of forfeiture, subject to applicable escheat laws.

### 7.5 Prohibition on Acceleration of Distributions.

The time or schedule of payment of any withdrawal or distribution under the Plan shall not be subject to acceleration, except as provided or permitted under Section 409A of the Code (including, without limitation, acceleration on termination of the Plan or in connection with a change in control event within the meaning of Section 409A of the Code).

### 7.6 Distributions Pursuant To QDROs.

Except as otherwise provided by the Committee or the Administrator, distributions to alternate payees pursuant to a QDRO will be made or commence within ninety (90) days of the date on which the domestic relations order is determined to be a QDRO in one of the following forms elected by the alternate payee (including by the terms of the QDRO):



- (a) a lump sum,
- (b) annual installments (calculated as set forth at paragraph 7.1(a)(6)) over five (5) years,
- (c) annual installments (calculated as set forth at paragraph 7.1(a)(6)) over ten (10) years, or
- (d) annual installments (calculated as set forth at paragraph 7.1(a)(6)) over fifteen (15) years.

If no election is made by the alternate payee within sixty (60) days following the date on which the domestic relations order is determined to be a QDRO, the alternate payee's benefit will be paid in a lump sum in accordance with the provisions of this Section 7.6.

## **ARTICLE VIII. ADMINISTRATION**

### **8.1 Committee.**

The Committee shall administer the Plan in accordance with this Article.

### **8.2 Administrator.**

The Administrator, unless restricted by the Committee or the Committee otherwise acts, shall have the authority and shall exercise the powers expressly granted hereunder and under Sections 8.4 and 8.5 except when the exercise of such authority would materially affect the cost of the Plan to the Company or materially increase benefits to Participants.

### **8.3 Committee Action.**

The Committee shall act at meetings by affirmative vote of a majority of the members of the Committee present at a meeting at which a quorum is present. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by all members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of the Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The chairman or any other member or members of the Committee designated by the chairman may execute any certificate or other written direction on behalf of the Committee.

### **8.4 Powers and Duties of the Committee.**

Each of the Committee and the Administrator, on behalf of the Participants and their Beneficiaries, shall enforce the Plan in accordance with its terms and shall have all powers necessary to accomplish its purposes as set forth herein, including, but not by way of limitation, the following:

- (a) To select the Measurement Funds in accordance with Section 4.1 hereof;
- (b) To conclusively construe and interpret the terms and provisions of the Plan and to remedy any inconsistencies or ambiguities hereunder;
- (c) To select employees eligible to participate in the Plan;

- (d) To compute and certify to the amount and kind of benefits payable to Participants and their Beneficiaries;
- (e) To maintain all records that may be necessary for the administration of the Plan;
- (f) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (g) To make and publish such rules for the regulation and operation of the Plan and procedures for the administration of the Plan as are not inconsistent with the terms hereof;
- (h) To delegate to any person or persons such powers and duties in connection with the administration of the Plan as the Committee or the Administrator may from time to time prescribe; and
- (i) To take all actions necessary for the administration of the Plan.

#### 8.5 Construction and Interpretation.

Each of the Committee and the Administrator shall have full discretion to conclusively construe and interpret the terms and provisions of this Plan, which interpretations or construction shall be final and binding on all parties, including but not limited to the Company and any Participant or Beneficiary. Each of the Committee and the Administrator shall administer such terms and provisions in accordance with any and all laws applicable to the Plan. The Committee or the Administrator may provide for different rules, rights and procedures for different Participants or Eligible Individuals and there is no requirement under the Plan that all Participants or Eligible Individuals receive the same benefits, payment rights, election rights or any other benefits or rights, subject to the requirements of applicable law

#### 8.6 Information.

The Company shall furnish the Committee or the Administrator with such data and information as may be required for it to discharge its duties. Participants and other persons entitled to benefits under the Plan must furnish the Committee or the Administrator such evidence, data or information as the Committee or the Administrator considers necessary or desirable to carry out the terms of the Plan.

#### 8.7 Compensation, Expenses and Indemnity.

- (a) The members of the Committee shall serve without compensation for their services hereunder.
- (b) The Committee is authorized at the expense of the Company to employ such legal counsel and other advisors as it may deem advisable to assist in the performance of its duties hereunder. Expenses and fees in connection with the administration of the Plan shall be paid by the Company.
- (c) To the extent permitted by applicable state law, the Company shall indemnify and save harmless the Committee and each member thereof, the Board of Directors and any delegate of the Committee who is an employee of the Company or any Affiliate and the Administrator against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than

expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the any bylaw, agreement or otherwise, of the Company as such indemnities are permitted under state law.

#### 8.8 Quarterly Statements.

Under procedures established by the Committee or the Administrator, a Participant shall receive a statement with respect to such Participant's Accounts on a quarterly basis as of each March 31, June 30, September 30 and December 31.

#### 8.9 Disputes.

##### (a) Claim.

A person who believes that he is being denied a benefit to which he is entitled under the Plan (hereinafter referred to as "Claimant") may file a written request for such benefit with the Administrator, setting forth his claim. The request must be addressed to the Administrator at Sempra at its then principal place of business.

##### (b) Claim Decision.

Upon receipt of a claim, the Administrator shall advise the Claimant that a reply shall be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Administrator may, however, extend the reply period for an additional ninety (90) days for special circumstances.

If the claim is denied in whole or in part, the Administrator shall inform the Claimant in writing, using language calculated to be understood by the Claimant, setting forth: (i) the specified reason or reasons for such denial; (ii) the specific reference to pertinent provisions of this Plan on which such denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect his claim and an explanation of why such material or such information is necessary; (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and (v) the time limits for requesting a review under subsection 8.9(c).

##### (c) Request For Review.

With sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing a review the determination of the Administrator. Such review shall be completed by the most senior officer of Human Resources of Sempra for Participants who are Managers and by the Committee for Participants who are Executive Officers or Directors. Such request must be addressed to the Secretary of Sempra, at its then principal place of business. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the most senior officer of Human Resources of Sempra or the Committee, as applicable. If the Claimant does not request a review within such sixty (60) day period, he shall be barred and estopped from challenging the Administrator's determination.

##### (d) Review of Decision.

Within sixty (60) days after the receipt of a request for review by the most senior officer of Human Resources of Sempra or the Committee, as applicable, after considering all materials presented by the Claimant, the most senior officer of Human Resources of Sempra or the Committee, as applicable, shall inform the Participant in writing, in a manner calculated to be understood by the Claimant, the decision

setting forth the specific reasons for the decision contained specific references to the pertinent provisions of this Plan on which the decision is based. If special circumstances require that the sixty (60) day period be extended, the most senior officer of Human Resources of Sempra or the Committee, as applicable, shall so notify the Claimant and shall render the decision as soon as possible, but no later than one hundred and twenty (120) days after receipt of the request for review.

## **ARTICLE IX. MISCELLANEOUS**

### **9.1 Unsecured General Creditor.**

Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of a Participant or Beneficiary shall be no greater than those of an unsecured general creditor of the Company. It is the intention of the Company that this Plan be unfunded for purposes of the Code and Title I of ERISA.

### **9.2 Restriction Against Assignment.**

- (a) The Company shall pay all amounts payable hereunder only to the person or persons designated pursuant to the terms of the Plan and not to any other person or entity. No right, title or interest in the Plan or in any Account may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution. No right, title or interest in the Plan or in any Account shall be liable for the debts, contracts or engagements of the Participant or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.
- (b) Notwithstanding the provisions of subsection 9.2(a), a Participant's interest in his Account may be transferred by the Participant pursuant to a QDRO.

### **9.3 Amendment, Modification, Suspension or Termination.**

(a) Subject to Section 7.3, the Committee may amend, modify, suspend or terminate the Plan in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any vested amounts allocated to a Participant's Accounts. In the event of Plan termination, distributions shall continue to be made in accordance with the terms of the Plan, subject to the provisions of subsection 7.3(a).

(b) Notwithstanding anything to the contrary in the Plan, if and to the extent Sempra shall determine that the terms of the Plan may result in the failure of the Plan, or amounts deferred by or for any Participant under the Plan, to comply with the requirements of Section 409A of the Code, Sempra shall have authority to take such action to amend, modify, cancel or terminate the Plan or distribute any or all of the amounts deferred by or for a Participant, as it deems necessary or advisable, including without limitation:

(1) Any amendment or modification of the Plan to conform the Plan to the requirements of Section 409A of the Code (including, without limitation, any amendment or modification of the terms of any applicable to any Participant's Accounts regarding the timing or form of payment).

(2) Any cancellation or termination of any unvested interest in a Participant's Accounts without any payment to the Participant.

(3) Any cancellation or termination of any vested interest in any Participant's Accounts, with immediate payment to the Participant of the amount otherwise payable to such Participant.

Any such amendment, modification, cancellation, or termination of the Plan may adversely affect the rights of a Participant without the Participant's consent.

#### 9.4 Designation of Beneficiary.

- (a) Each Participant shall have the right to designate, revoke and redesignate Beneficiaries hereunder and to direct payment of his Distributable Amount to such Beneficiaries upon his death.
- (b) Designation, revocation and redesignation of Beneficiaries must be made in writing in accordance with the procedures established by the Committee or the Administrator and shall be effective upon delivery to the Committee or the Administrator.
- (c) If there is no Beneficiary designation in effect, or if no designated beneficiary survives the Participant, then the Participant's spouse shall be the Beneficiary; provided, however, that if there is no surviving spouse, the duly appointed and currently acting personal representative of the Participant's estate shall be the Beneficiary.
- (d) After the Participant's death, any Beneficiary (other than the Participant's estate) who is to receive installment payments may designate a secondary beneficiary to receive amounts due under this Plan to the Beneficiary in the event of the Beneficiary's death prior to receiving full payment from the Plan. If no secondary beneficiary is designated, it shall be the Beneficiary's estate.

#### 9.5 Insurance.

- (a) As a condition of participation in this Plan, each Participant shall, if requested by the Committee, the Administrator, or the Company, undergo such examination and provide such information as may be required by the Company with respect to any insurance contracts on the Participant's life and shall authorize the Company to purchase life insurance on his life, payable to the Company
- (b) If the Company maintains an insurance policy on a Participant's life to fund benefits under the Plan and such insurance policy is invalidated because (i) the Participant commits suicide during the two (2) year period beginning on the first day of the first Plan Year of such Participant's participation in the Plan or because (ii) the Participant makes any material misstatement of information or nondisclosure of medical history, then, to the extent determined by the Committee or the Administrator in its sole discretion, the only benefits that shall be payable hereunder to such Participant or his Beneficiary are the payment of the amount of

deferrals of Compensation then credited to the Participant's Accounts but without any interest including interest theretofore credited under this Plan.

#### 9.6 Governing Law.

Subject to ERISA, this Plan shall be construed, governed and administered in accordance with the laws of the State of California.

#### 9.7 Receipt of Release.

Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee, the Administrator, and the Company with respect to this Plan. The Committee or the Administrator may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect prior to the payment date specified under the Plan.

#### 9.8 Payments Subject to Section 162(m) of the Code.

In the discretion of the Committee or the Administrator and in accordance with Section 409A of the Code, Sempra may delay any distribution (or portion thereof) under the Plan if Sempra reasonably anticipates that if such distribution under the Plan were made as scheduled, Sempra's deduction with respect to such payment would not be permitted due to the application of Section 162(m) of the Code; provided, however, that any such delayed distribution shall be made (a) during the Participant's first taxable year in which Sempra reasonably anticipates, or should reasonably anticipate, that, if the payment is made during such year, the deduction of such payment will not be barred by application of Section 162(m) of the Code, (b) during the period beginning with the date of the Participant's Separation from Service and ending on the later of (i) the last day of the year in which the Participant's Separation from Service occurs or (ii) within 2-1/2 months following the Participant's Separation from Service, or (c) such date provided or permitted under Section 409A of the Code; and provided further that, where any scheduled payment to a specific Participant is delayed in Sempra's taxable year accordance with this Section 9.8, the delay in payment will be treated as a subsequent deferral election under Section 409A of the Code only to the extent provided by Section 409A of the Code. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Article IV, even if such amount is being paid out in installments. Notwithstanding anything to the contrary in this Plan, this Section 9.8 shall not apply to any distributions made after a Change in Control.

#### 9.9 Payments on Behalf of Persons Under Incapacity.

In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Committee or the Administrator, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee or the Administrator may direct that such payment be made to any person found by the Committee or the Administrator, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such termination shall constitute a full release and discharge of the Committee, the Administrator, and the Company.

#### 9.10 Limitation of Rights.

Neither the establishment of the Plan nor any modification thereof, nor the creating of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant or other person any legal or equitable right against the Company except as provided in the Plan. In no event shall the terms of employment of, or membership on the Board by, any Participant be modified or in any be effected by the provisions of the Plan.

#### 9.11 Exempt ERISA Plan.

The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for directors and a select group of management or highly compensated employees within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA.

#### 9.12 Notice.

Any notice or filing required or permitted to be given to the Committee or the Administrator under the Plan shall be sufficient if in writing and hand delivered, sent by overnight courier, or sent by registered or certified mail, to the principal office of Sempra, directed, in the case of the Committee, to the attention of the General Counsel and Secretary of Sempra and in the case of the Administrator, to the Administrator. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

#### 9.13 Errors and Misstatements.

In the event of any misstatement or omission of fact by a Participant to the Committee or the Administrator or any clerical error resulting in payment of benefits in an incorrect amount, the Committee or the Administrator, as applicable, shall promptly cause the amount of future payments to be corrected upon discovery of the facts and shall pay or, if applicable, cause the Plan to pay, the Participant or any other person entitled to payment under the Plan any underpayment in a lump sum or to recoup any overpayment from future payments to the Participant or any other person entitled to payment under the Plan in such amounts as the Committee or the Administrator shall direct or to proceed against the Participant or any other person entitled to payment under the Plan for recovery of any such overpayment.

#### 9.14 Pronouns and Plurality.

The masculine pronoun shall include the feminine pronoun, and the singular the plural where the context so indicates.

#### 9.15 Severability.

In the event that any provision of the Plan shall be declared unenforceable or invalid for any reason, such unenforceability or invalidity shall not affect the remaining provisions of the Plan but shall be fully severable, and the Plan shall be construed and enforced as if such unenforceable or invalid provision had never been included herein.

#### 9.16 Status.

The establishment and maintenance of, or allocations and credits to, the Accounts of any Participant shall not vest in any Participant any right, title or interest in and to any Plan assets or benefits except at the time or times and upon the terms and conditions and to the extent expressly set forth in the Plan.

#### 9.17 Headings.

Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

**ARTICLE X.  
EMPLOYEES OF SEMPRA ENERGY TRADING CORPORATION  
AND SEMPRA ENERGY SOLUTIONS LLC**

This Article X includes special provisions relating to the benefits of the Participants in the Plan who are employed by Sempra Energy Trading Corporation ("SET") and Sempra Energy Solutions LLC ("SES").

(a) Background. Certain SET and SES employees are Participants in this Plan.

On July 9, 2007, Sempra, Sempra Global, Sempra Energy Trading International, B.V. ("SETI") and The Royal Bank of Scotland plc ("RBS") entered into the Master Formation and Equity Interest Purchase Agreement, dated as of July 9, 2007 (the "Master Formation Agreement"), which provides for the formation of a partnership, RBS Sempra Commodities LLP ("RBS Sempra Commodities"), to purchase and operate Sempra's commodity-marketing businesses. Pursuant to a Master Formation Agreement, RBS Sempra Commodities will be formed as a United Kingdom limited liability partnership and RBS Sempra Commodities will purchase Sempra's commodity-marketing subsidiaries.

Prior to the Closing, SET will be converted into a limited liability company ("SET LLC"). Following such conversion, SET employees will be employed by SET LLC. Prior to the Closing, SES will become a wholly-owned subsidiary of SET LLC.

Also, prior to the Closing, Sempra will own, directly or indirectly through wholly-owned subsidiaries, 100% of the membership interests in SET LLC and SES. Prior to the Closing, SET LLC and SES will be disregarded entities for federal income tax purposes.

Effective as of the Closing, RBS Sempra Commodities will purchase 100% of the membership interests in SET LLC.

As provided in the Master Formation Agreement, an employee of SET LLC who is actively at work on the Closing Date will continue to be employed by SET LLC immediately after the Closing Date, and an employee of SES who is actively at work on the Closing Date will continue to be employed by SES (each such employee is referred to as a Transferred Employee).

Also, as provided in the Master Formation Agreement, with respect to an employee of SET LLC or SES who is not actively at work on the Closing Date because such employee is on approved short-term disability or long-term disability leave in accordance with the Sempra Plans (such employee is referred to as an Inactive Employee), if such Inactive Employee returns to active work at the conclusion of such leave, and in any case within six (6) months following the Closing Date (or such longer period as is required by applicable law), such Inactive Employee shall become a Transferred Employee as of the date of such person's return to active employment with the SET LLC or SES (such date is referred to as the Transfer Date).

Effective as of the Closing, SET LLC will be a wholly-owned subsidiary of RBS Sempra Commodities, SES will be an indirect, wholly-owned subsidiary of RBS Commodities, Sempra Global and SETI will be partners in RBS Sempra Commodities, and Sempra will own, indirectly through wholly-owned subsidiaries, at least a 50% profits interest in RBS Sempra Commodities.

(b) Separation from Service

(1) Effective as of the Closing, RBS Sempra Commodities will be a member of a group of trades or businesses (whether or not incorporated) under common control for purposes of Section 414(c) of the Code and Treasury Regulation Section 1.414(c)-2, as determined under Section 409A of the



Code, that includes Sempra and its wholly-owned subsidiaries. Consequently, effective as of the Closing, RBS Sempra Commodities will be included in the “service recipient” that includes Sempra and its wholly-owned subsidiaries, as defined under Section 409A of the Code.

(2) A Participant who is an employee of SET LLC or SES, and who is a Transferred Employee effective as of the Closing Date, will not have a Separation from Service solely as a result of the purchase of the membership interests of SET LLC by RBS Sempra Commodities effective as of the Closing.

(3) A Participant who is an employee of SET LLC or SES, who is an Inactive Employee, and who becomes a Transferred Employee effective on a Transfer Date after the Closing Date, will not have a Separation from Service solely as a result of the purchase of the membership interests of SET LLC by RBS Sempra Commodities or becoming a Transferred Employee on a Transfer Date after the Closing Date.

(4) For purposes of the Plan, a participant in the Plan who is an employee of SET LLC or SES, and who is or becomes a Transferred Employee, will have a Separation from Service on or after the Closing Date (or the Transfer Date, if applicable), as determined under subsection 1.2(rr) and Section 409A of the Code.

(c) Certain Defined Terms.

For purposes of this Article X, the terms “Closing,” “Closing Date,” “Inactive Employee,” “Sempra Plans,” “Transferred Employees” and “Transfer Date” shall have the meanings ascribed to such terms under the Master Formation Agreement.

## **ARTICLE XI.**

### **SECTION 409A OF THE CODE**

Anything in this Plan to the contrary notwithstanding, it is intended that any amounts payable under this Plan shall either be exempt from or comply with Section 409A of the Code so as not to subject any Participant to payment of any additional tax, penalty or interest imposed under Section 409A of the Code. The provisions of this Plan shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Section 409A of the Code yet preserve (to the nearest extent reasonably possible) the intended benefit payable to Participant. In no event shall the Company guarantee the tax treatment of participation in the Plan or any benefit provided hereunder. Notwithstanding any other provision of the Plan, in the event any of the amounts deferred or payable under the Plan are grandfathered for purposes of Section 409A of the Code, such amounts shall be subject to the terms and conditions “that applied to such amounts prior to the effective date of Section 409A of the Code.

Executed at San Diego, California this 30<sup>th</sup> day of October, 2023.

SEMPRA

By: /s/ Karen L. Sedgwick  
Chief Administrative Officer and Chief Human Resources  
Title: Officer  
Date: 10/30/2023

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULES 13a-14 AND 15d-14

I, J. Walker Martin, certify that:

1. I have reviewed this report on Form 10-Q of Sempra;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2023    /s/ J. Walker Martin  
J. Walker Martin  
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14 AND 15d-14

I, Trevor I. Mihalik, certify that:

1. I have reviewed this report on Form 10-Q of Sempra;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2023    /s/ Trevor I. Mihalik  
Trevor I. Mihalik  
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULES 13a-14 AND 15d-14

I, Caroline A. Winn, certify that:

1. I have reviewed this report on Form 10-Q of San Diego Gas & Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2023

/s/ Caroline A. Winn

Caroline A. Winn

Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14 AND 15d-14

I, Bruce A. Folkmann, certify that:

1. I have reviewed this report on Form 10-Q of San Diego Gas & Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2023

/s/ Bruce A. Folkmann

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Bruce A. Folkmann

Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULES 13a-14 AND 15d-14

I, Scott D. Drury, certify that:

1. I have reviewed this report on Form 10-Q of Southern California Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2023

/s/ Scott D. Drury

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Scott D. Drury

Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14 AND 15d-14

I, Mia L. DeMontigny, certify that:

1. I have reviewed this report on Form 10-Q of Southern California Gas Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2023

/s/ Mia L. DeMontigny

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Mia L. DeMontigny

Chief Financial Officer



CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of Sempra (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended September 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2023    /s/ J. Walker Martin  
J. Walker Martin  
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of Sempra (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended September 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2023    /s/ Trevor I. Mihalik  
Trevor I. Mihalik  
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of San Diego Gas & Electric Company (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended September 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2023    /s/ Caroline A. Winn  
Caroline A. Winn  
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of San Diego Gas & Electric Company (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended September 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2023    /s/ Bruce A. Folkmann  
Bruce A. Folkmann  
Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer of Southern California Gas Company (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended September 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2023    /s/ Scott D. Drury  
Scott D. Drury  
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal financial officer of Southern California Gas Company (the "Company") certifies that:

- (i) the Quarterly Report on Form 10-Q of the Company filed with the Securities and Exchange Commission for the quarter ended September 30, 2023 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 3, 2023    /s/ Mia L. DeMontigny  
Mia L. DeMontigny  
Chief Financial Officer