

SEMPRA ENERGY

Table A

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts)	Three months ended		Years ended	
	December 31,		December 31,	
	2010	2009	2010	2009
	(unaudited)			
REVENUES				
Sempra Utilities	\$ 1,820	\$ 1,838	\$ 6,819	\$ 6,220
Sempra Global and parent	525	618	2,184	1,886
Total revenues	<u>2,345</u>	<u>2,456</u>	<u>9,003</u>	<u>8,106</u>
EXPENSES AND OTHER INCOME				
Sempra Utilities:				
Cost of natural gas	(498)	(533)	(1,900)	(1,530)
Cost of electric fuel and purchased power	(157)	(164)	(637)	(672)
Sempra Global and parent:				
Cost of natural gas, electric fuel and purchased power	(268)	(301)	(1,155)	(976)
Other cost of sales	(23)	(28)	(91)	(80)
Litigation expense	15	(4)	(169)	(4)
Other operation and maintenance	(717)	(794)	(2,499)	(2,467)
Depreciation and amortization	(224)	(207)	(867)	(775)
Franchise fees and other taxes	(84)	(68)	(327)	(296)
Write-off of long-lived assets	-	-	-	(132)
Equity earnings (losses):				
RBS Sempra Commodities LLP	(24)	79	(314)	463
Other	(2)	9	22	36
Other income, net	58	52	140	149
Interest income	3	5	16	21
Interest expense	<u>(113)</u>	<u>(110)</u>	<u>(436)</u>	<u>(367)</u>
Income before income taxes and equity earnings of certain unconsolidated subsidiaries	311	392	786	1,476
Income tax expense	(17)	(95)	(102)	(422)
Equity earnings, net of income tax	7	9	49	68
Net income	<u>301</u>	<u>306</u>	<u>733</u>	<u>1,122</u>
(Earnings) losses attributable to noncontrolling interests	(18)	(15)	16	7
Preferred dividends of subsidiaries	(3)	(3)	(10)	(10)
Earnings	<u>\$ 280</u>	<u>\$ 288</u>	<u>\$ 739</u>	<u>\$ 1,119</u>
Basic earnings per common share	<u>\$ 1.17</u>	<u>\$ 1.18</u>	<u>\$ 3.02</u>	<u>\$ 4.60</u>
Weighted-average number of shares outstanding, basic (thousands)	<u>239,465</u>	<u>244,923</u>	<u>244,736</u>	<u>243,339</u>
Diluted earnings per common share	<u>\$ 1.15</u>	<u>\$ 1.16</u>	<u>\$ 2.98</u>	<u>\$ 4.52</u>
Weighted-average number of shares outstanding, diluted (thousands)	<u>242,519</u>	<u>248,749</u>	<u>247,942</u>	<u>247,384</u>
Dividends declared per share of common stock	<u>\$ 0.39</u>	<u>\$ 0.39</u>	<u>\$ 1.56</u>	<u>\$ 1.56</u>

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Table B

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	December 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 912	\$ 110
Restricted cash	131	35
Accounts receivable	1,032	1,130
Due from unconsolidated affiliates	34	41
Income taxes receivable	248	221
Deferred income taxes	75	10
Inventories	258	197
Regulatory assets	90	54
Fixed-price contracts and other derivatives	81	77
Insurance receivable related to wildfire litigation	-	273
Settlement receivable related to wildfire litigation	300	-
Other	192	147
Total current assets	3,353	2,295
Investments and other assets:		
Restricted cash	27	-
Regulatory assets arising from pension and other postretirement benefit obligations	869	959
Regulatory assets arising from wildfire litigation costs	364	-
Other regulatory assets	934	844
Nuclear decommissioning trusts	769	678
Investment in RBS Sempra Commodities LLP	787	2,172
Other investments	2,164	2,151
Goodwill and other intangible assets	540	524
Sundry	600	608
Total investments and other assets	7,054	7,936
Property, plant and equipment, net	19,876	18,281
Total assets	\$ 30,283	\$ 28,512
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$ 158	\$ 618
Accounts payable	864	693
Due to unconsolidated affiliates	36	29
Dividends and interest payable	188	190
Accrued compensation and benefits	311	264
Regulatory balancing accounts, net	241	382
Current portion of long-term debt	349	573
Fixed-price contracts and other derivatives	106	95
Customer deposits	129	145
Reserve for wildfire litigation	639	270
Other	765	629
Total current liabilities	3,786	3,888
Long-term debt	8,980	7,460
Deferred credits and other liabilities:		
Due to unconsolidated affiliate	-	2
Customer advances for construction	154	146
Pension and other postretirement benefit obligations, net of plan assets	1,105	1,252
Deferred income taxes	1,561	1,318
Deferred investment tax credits	50	54
Regulatory liabilities arising from removal obligations	2,630	2,557
Asset retirement obligations	1,449	1,277
Other regulatory liabilities	138	181
Fixed-price contracts and other derivatives	290	312
Deferred credits and other	823	735
Total deferred credits and other liabilities	8,200	7,834
Contingently redeemable preferred stock of subsidiary	79	79
Equity:		
Total Sempra Energy shareholders' equity	9,027	9,007
Preferred stock of subsidiaries	100	100
Other noncontrolling interests	111	144
Total equity	9,238	9,251
Total liabilities and equity	\$ 30,283	\$ 28,512

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Table C

CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

(Dollars in millions)	Years ended December 31,	
	2010	2009
Cash Flows from Operating Activities:		
Net income	\$ 733	\$ 1,122
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	867	775
Gains on sale of assets	-	(3)
Deferred income taxes and investment tax credits	48	295
Equity losses (earnings)	243	(567)
Write-off of long-lived assets	-	132
Fixed-price contracts and other derivatives	13	(30)
Other	(55)	(45)
Net change in other working capital components	58	(256)
Distributions from RBS Sempra Commodities LLP	198	407
Changes in other assets	54	139
Changes in other liabilities	(5)	(94)
Net cash provided by operating activities	<u>2,154</u>	<u>1,875</u>
Cash Flows from Investing Activities:		
Expenditures for property, plant and equipment	(2,062)	(1,912)
Proceeds from sale of assets	303	179
Expenditures for investments and acquisition of businesses, net of cash acquired	(611)	(939)
Distributions from RBS Sempra Commodities LLP	849	-
Distributions from other investments	371	23
Purchases of nuclear decommissioning and other trust assets	(371)	(267)
Proceeds from sales by nuclear decommissioning and other trusts	372	230
Decrease in restricted cash	195	37
Increase in restricted cash	(318)	(45)
Decrease in notes receivable from unconsolidated affiliate	-	100
Purchase of bonds issued by unconsolidated affiliate	-	(50)
Other	(11)	(28)
Net cash used in investing activities	<u>(1,283)</u>	<u>(2,672)</u>
Cash Flows from Financing Activities:		
Common dividends paid	(364)	(341)
Preferred dividends paid by subsidiaries	(10)	(10)
Issuances of common stock	40	73
Repurchases of common stock	(502)	(22)
Issuances of debt (maturities greater than 90 days)	1,125	2,151
Payments on debt (maturities greater than 90 days)	(905)	(435)
Increase (decrease) in short-term debt, net	568	(659)
Payments on notes payable to unconsolidated affiliate	-	(100)
Purchase of noncontrolling interest	-	(94)
Other	(21)	13
Net cash (used in) provided by financing activities	<u>(69)</u>	<u>576</u>
Increase (decrease) in cash and cash equivalents	802	(221)
Cash and cash equivalents, January 1	110	331
Cash and cash equivalents, December 31	<u>\$ 912</u>	<u>\$ 110</u>

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Table D

BUSINESS UNIT EARNINGS AND CAPITAL EXPENDITURES & INVESTMENTS

(Dollars in millions)	Three months ended		Years ended	
	December 31,		December 31,	
	2010	2009	2010	2009
	(unaudited)			
Earnings (Losses)				
San Diego Gas & Electric	\$ 105	\$ 67	\$ 369	\$ 344
Southern California Gas	74	75	286	273
Sempra Generation	43	45	103	169
Sempra Pipelines & Storage	39	37	159	101
Sempra LNG	18	35	68	16
Parent & Other	8	(40)	(91)	(122)
Earnings before Sempra Commodities	287	219	894	781
Sempra Commodities	(7)	69	(155)	338
Earnings	<u>\$ 280</u>	<u>\$ 288</u>	<u>\$ 739</u>	<u>\$ 1,119</u>

(Dollars in millions)	Three months ended		Years ended	
	December 31,		December 31,	
	2010	2009	2010	2009
	(unaudited)			
Capital Expenditures and Investments				
San Diego Gas & Electric	\$ 388	\$ 322	\$ 1,210	\$ 1,107
Southern California Gas	166	144	503	480
Sempra Generation	314	69	346	276
Sempra Pipelines & Storage	55	227	590	950
Sempra LNG	9	5	18	235
Parent & Other	2	1	6	5
Eliminations(1)	-	-	-	(152)
Consolidated Capital Expenditures and Investments	<u>\$ 934</u>	<u>\$ 768</u>	<u>\$ 2,673</u>	<u>\$ 2,901</u>

(1) In the second quarter of 2009, SDG&E purchased \$152 of industrial development bonds from Parent and Other.

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Table E

OTHER OPERATING STATISTICS (Unaudited)

	Three months ended		Years ended	
	December 31,		December 31,	
	2010	2009	2010	2009
SEMPRA UTILITIES				
Revenues (Dollars in millions)				
SDG&E (excludes intercompany sales)	\$ 802	\$ 778	\$ 3,041	\$ 2,908
SoCalGas (excludes intercompany sales)	\$ 1,018	\$ 1,060	\$ 3,778	\$ 3,312
Gas Sales (bcf)	111	108	392	380
Transportation (bcf)	143	133	517	554
Total Deliveries (bcf)	254	241	909	934
Total Gas Customers (Thousands)			6,635	6,607
Electric Sales (Millions of kWhs)	4,169	4,214	16,266	16,982
Direct Access (Millions of kWhs)	837	829	3,202	3,119
Total Deliveries (Millions of kWhs)	5,006	5,043	19,468	20,101
Total Electric Customers (Thousands)			1,386	1,379
SEMPRA GENERATION				
Power Sold (Millions of kWhs)	5,614	5,742	20,886	22,268
SEMPRA PIPELINES & STORAGE				
(Represents 100% of the distribution operations of these subsidiaries, although subsidiaries in Argentina, Chile and Peru are not 100% owned by Sempra Energy. These subsidiaries are not consolidated within Sempra Energy and the related investments are accounted for under the equity method.)				
Natural Gas Sales (bcf)				
Argentina	80	81	331	330
Mexico	5	5	21	19
Mobile Gas	10	8	37	32
Natural Gas Customers (Thousands)				
Argentina			1,756	1,710
Mexico			89	91
Mobile Gas			91	92
Electric Sales (Millions of kWhs)				
Peru	1,513	1,409	5,958	5,560
Chile	613	565	2,349	2,402
Electric Customers (Thousands)				
Peru			890	863
Chile			593	576

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Table F (Unaudited)

Statement of Operations Data by Business Unit

Three Months Ended December 31, 2010

(Dollars in millions)	SDG&E	SoCalGas	Generation	Pipelines & Storage	LNG	Commodities	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 804	\$ 1,030	\$ 293	\$ 88	\$ 157	\$ -	\$ (27)	\$ 2,345
Cost of Sales and Other Expenses	(525)	(832)	(217)	(59)	(110)	(8)	4	(1,747)
Litigation Adjustment (Expense)	(6)	11	(2)	-	-	11	1	15
Depreciation & Amortization	(98)	(79)	(18)	(12)	(13)	-	(4)	(224)
Equity Earnings (Losses) Recorded Before Income Tax	-	-	(10)	11	-	(24)	(3)	(26)
Other Income (Expense), Net	28	4	(1)	2	1	1	23	58
Income (Loss) Before Interest & Tax ⁽¹⁾	203	134	45	30	35	(20)	(6)	421
Net Interest (Expense) Income ⁽²⁾	(38)	(16)	3	(8)	(11)	(4)	(39)	(113)
Income Tax (Expense) Benefit	(42)	(44)	(5)	10	(6)	17	53	(17)
Equity Earnings Recorded Net of Income Tax	-	-	-	7	-	-	-	7
Earnings Attributable to Noncontrolling Interests	(18)	-	-	-	-	-	-	(18)
Earnings (Losses)	\$ 105	\$ 74	\$ 43	\$ 39	\$ 18	\$ (7)	\$ 8	\$ 280

Three Months Ended December 31, 2009

(Dollars in millions)	SDG&E	SoCalGas	Generation	Pipelines & Storage	LNG	Commodities	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 780	\$ 1,079	\$ 337	\$ 137	\$ 153	\$ -	\$ (30)	\$ 2,456
Cost of Sales and Other Expenses	(560)	(887)	(250)	(94)	(77)	(7)	(13)	(1,888)
Litigation Adjustment (Expense)	(1)	(1)	(1)	(1)	(1)	-	1	(4)
Depreciation & Amortization	(90)	(73)	(15)	(13)	(12)	-	(4)	(207)
Equity Earnings (Losses) Recorded Before Income Tax	-	-	-	11	-	79	(2)	88
Other Income (Expense), Net	19	3	2	2	1	(1)	26	52
Income (Loss) Before Interest & Tax ⁽¹⁾	148	121	73	42	64	71	(22)	497
Net Interest (Expense) Income ⁽²⁾	(30)	(17)	1	(7)	(12)	-	(43)	(108)
Income Tax (Expense) Benefit	(36)	(29)	(29)	(6)	(17)	(2)	24	(95)
Equity Earnings Recorded Net of Income Tax	-	-	-	9	-	-	-	9
(Earnings) Losses Attributable to Noncontrolling Interests	(15)	-	-	(1)	-	-	1	(15)
Earnings (Losses)	\$ 67	\$ 75	\$ 45	\$ 37	\$ 35	\$ 69	\$ (40)	\$ 288

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

⁽²⁾ Net Interest (Expense) Income includes Interest Income, Interest Expense and Preferred Dividends of Subsidiaries.

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Table F (Unaudited)

Statement of Operations Data by Business Unit

Year Ended December 31, 2010

(Dollars in millions)	SDG&E	SoCalGas	Generation	Pipelines & Storage	LNG	Commodities	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 3,049	\$ 3,822	\$ 1,172	\$ 350	\$ 711	\$ -	\$ (101)	\$ 9,003
Cost of Sales and Other Expenses	(1,993)	(3,007)	(866)	(246)	(519)	(23)	45	(6,609)
Litigation Adjustment (Expense)	(18)	10	(145)	(1)	(4)	(9)	(2)	(169)
Depreciation & Amortization	(381)	(309)	(65)	(44)	(51)	-	(17)	(867)
Equity Earnings (Losses) Recorded Before Income Tax	-	-	(12)	43	-	(314)	(9)	(292)
Other Income, Net	10	12	9	55	3	1	50	140
Income (Loss) Before Interest & Tax ⁽¹⁾	667	528	93	157	140	(345)	(34)	1,206
Net Interest (Expense) Income ⁽²⁾	(141)	(66)	3	(21)	(47)	(1)	(157)	(430)
Income Tax (Expense) Benefit	(173)	(176)	7	(26)	(25)	191	100	(102)
Equity Earnings Recorded Net of Income Tax	-	-	-	49	-	-	-	49
Losses Attributable to Noncontrolling Interests	16	-	-	-	-	-	-	16
Earnings (Losses)	\$ 369	\$ 286	\$ 103	\$ 159	\$ 68	\$ (155)	\$ (91)	\$ 739

Year Ended December 31, 2009

(Dollars in millions)	SDG&E	SoCalGas	Generation	Pipelines & Storage	LNG	Commodities	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 2,916	\$ 3,355	\$ 1,179	\$ 465	\$ 278	\$ -	\$ (87)	\$ 8,106
Cost of Sales and Other Expenses	(2,003)	(2,583)	(844)	(470) ⁽³⁾	(218)	(13)	(22)	(6,153)
Litigation Adjustment (Expense)	5	(3)	(1)	(3)	(2)	-	-	(4)
Depreciation & Amortization	(329)	(293)	(58)	(45)	(35)	-	(15)	(775)
Equity Earnings (Losses) Recorded Before Income Tax	-	-	(2)	50	-	463	(12)	499
Other Income (Expense), Net	64	7	3	2	2	(2)	73	149
Income (Loss) Before Interest & Tax ⁽¹⁾	653	483	277	(1)	25	448	(63)	1,822
Net Interest Expense ⁽²⁾	(108)	(66)	-	(17)	(24)	(7)	(134)	(356)
Income Tax (Expense) Benefit	(177)	(144)	(108)	20	15	(103)	75	(422)
Equity Earnings Recorded Net of Income Tax	-	-	-	68	-	-	-	68
(Earnings) Losses Attributable to Noncontrolling Interests	(24)	-	-	31	-	-	-	7
Earnings (Losses)	\$ 344	\$ 273	\$ 169	\$ 101	\$ 16	\$ 338	\$ (122)	\$ 1,119

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

⁽²⁾ Net Interest (Expense) Income includes Interest Income, Interest Expense and Preferred Dividends of Subsidiaries.

⁽³⁾ Includes \$132 million write-off of long-lived assets.

**Reconciliation of Sempra Energy Earnings To
Sempra Energy Earnings Excluding Sempra Commodities**
Table G (Unaudited)

Sempra Energy Earnings excluding Sempra Commodities and Earnings Per Share excluding Sempra Commodities are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States). In 2009 and 2010, our Sempra Commodities segment has been comprised solely of earnings and activity related to Sempra Energy's equity method investment in RBS Sempra Commodities, a commodities trading joint venture with The Royal Bank of Scotland (RBS). In four separate transactions in 2010 and early 2011, Sempra Energy and RBS divested substantially all of the businesses and assets within the joint venture. Because of the impacts of these divestitures on 2010 and future periods, management believes that these non-GAAP financial measures provide a more meaningful comparison of 2010 to 2009 results of operations for Sempra Energy's ongoing business units, as well as for future comparisons in subsequent periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles these non-GAAP financial measures to Sempra Energy Earnings and Diluted Earnings Per Common Share, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

(Dollars in millions, except per share amounts)	Three months ended December 31,		Years ended December 31,	
	2010	2009	2010	2009
Sempra Energy Earnings (GAAP)	\$ 280	\$ 288	\$ 739	\$ 1,119
Less Sempra Commodities amounts included in:				
Litigation expense (adjustment)	11	-	(9)	-
Other operation and maintenance	(8)	(7)	(23)	(13)
Equity earnings (losses) in RBS Sempra Commodities LLP	(24)	79	(314)	463
Other income (expense), net	1	(1)	1	(2)
Interest income	(2)	-	4	-
Interest expense	(2)	-	(5)	(7)
Income tax benefit (expense)	17	(2)	191	(103)
Sempra Commodities earnings (losses)	(7)	69	(155)	338
Sempra Energy Earnings Excluding Sempra Commodities	\$ 287	\$ 219	\$ 894	\$ 781
Diluted earnings per common share:				
Sempra Energy Earnings (GAAP)	\$ 1.15	\$ 1.16	\$ 2.98	\$ 4.52
Sempra Energy Earnings Excluding Sempra Commodities	\$ 1.18	\$ 0.88	\$ 3.61	\$ 3.16
Weighted-average number of shares outstanding, diluted (thousands)	242,519	248,749	247,942	247,384