

SEMPRA ENERGY

Table A

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2012	2011(1)	2012	2011(1)
	(unaudited)			
REVENUES				
Utilities	\$ 1,838	\$ 1,922	\$ 3,929	\$ 3,868
Energy-related businesses	251	500	543	988
Total revenues	<u>2,089</u>	<u>2,422</u>	<u>4,472</u>	<u>4,856</u>
EXPENSES AND OTHER INCOME				
Utilities:				
Cost of natural gas	(221)	(403)	(652)	(1,045)
Cost of electric fuel and purchased power	(349)	(397)	(737)	(568)
Energy-related businesses:				
Cost of natural gas, electric fuel and purchased power	(81)	(212)	(210)	(442)
Other cost of sales	(41)	(32)	(74)	(55)
Operation and maintenance	(720)	(673)	(1,391)	(1,312)
Depreciation and amortization	(266)	(248)	(523)	(478)
Franchise fees and other taxes	(79)	(80)	(175)	(175)
Equity (losses) earnings, before income tax:				
Rockies Express Pipeline LLP	(290)	10	(279)	19
Other	(3)	(3)	(2)	(11)
Remeasurement of equity method investments	-	277	-	277
Other income, net	18	31	93	74
Interest income	4	12	9	15
Interest expense	(113)	(118)	(226)	(226)
(Losses) income before income taxes and equity earnings of certain unconsolidated subsidiaries	(52)	586	305	929
Income tax benefit (expense)	118	(100)	1	(214)
Equity earnings, net of income tax	8	8	19	39
Net income	<u>74</u>	<u>494</u>	<u>325</u>	<u>754</u>
(Earnings) losses attributable to noncontrolling interests	(11)	12	(24)	8
Preferred dividends of subsidiaries	(1)	(3)	(3)	(5)
Earnings	<u>\$ 62</u>	<u>\$ 503</u>	<u>\$ 298</u>	<u>\$ 757</u>
Basic earnings per common share	<u>\$ 0.26</u>	<u>\$ 2.10</u>	<u>\$ 1.24</u>	<u>\$ 3.16</u>
Weighted-average number of shares outstanding, basic (thousands)	<u>241,141</u>	<u>239,415</u>	<u>240,853</u>	<u>239,769</u>
Diluted earnings per common share	<u>\$ 0.25</u>	<u>\$ 2.09</u>	<u>\$ 1.21</u>	<u>\$ 3.14</u>
Weighted-average number of shares outstanding, diluted (thousands)	<u>246,260</u>	<u>240,761</u>	<u>245,766</u>	<u>241,154</u>
Dividends declared per share of common stock	<u>\$ 0.60</u>	<u>\$ 0.48</u>	<u>\$ 1.20</u>	<u>\$ 0.96</u>

(1) As adjusted for the retrospective effect of a change in accounting principle.

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Table A (Continued)

RECONCILIATION OF SEMPRA ENERGY GAAP EARNINGS TO SEMPRA ENERGY ADJUSTED EARNINGS EXCLUDING IMPAIRMENT CHARGE AND GAIN FROM REMEASUREMENT OF EQUITY METHOD INVESTMENTS (Unaudited)

Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share excluding a \$179 million impairment charge on our investment in Rockies Express LLC in the second quarter of 2012 and a \$277 million gain from the remeasurement of equity method investments in Chilquinta Energía and Luz del Sur in the second quarter of 2011 are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States). Because of the significance and nature of these items, management believes that these non-GAAP financial measures provide a more meaningful comparison of the performance of Sempra Energy's business operations from 2012 to 2011 and to future periods. Also, 2012 guidance of \$4 to \$4.30 per diluted share excludes the \$179 million impairment loss, or \$0.73 per diluted share, as well as a \$47 million tax benefit from a change in the expected holding period of life insurance contracts, or \$0.19 per diluted share, for the six months ended June 30, 2012, based on shares outstanding through June 30, 2012. Management believes that excluding the impact of the impairment loss and tax benefit from current guidance provides a more meaningful measure of Sempra Energy's expected financial performance in 2012 in comparison to previously issued guidance. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods these non-GAAP financial measures to Sempra Energy 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 June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Sempra Energy GAAP Earnings	\$ 62	\$ 503	\$ 298	\$ 757
Add: Impairment Charge in 2012	179	-	179	-
Less: Remeasurement Gain in 2011	-	(277)	-	(277)
Sempra Energy Adjusted Earnings	<u>\$ 241</u>	<u>\$ 226</u>	<u>\$ 477</u>	<u>\$ 480</u>
Diluted earnings per common share:				
Sempra Energy GAAP Earnings	\$ 0.25	\$ 2.09	\$ 1.21	\$ 3.14
Sempra Energy Adjusted Earnings	<u>\$ 0.98</u>	<u>\$ 0.94</u>	<u>\$ 1.94</u>	<u>\$ 1.99</u>
Weighted-average number of shares outstanding, diluted (thousands)	<u>246,260</u>	<u>240,761</u>	<u>245,766</u>	<u>241,154</u>

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Table B

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	June 30, 2012 (unaudited)	December 31, 2011(1)(2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 221	\$ 252
Restricted cash	21	24
Accounts receivable	985	1,345
Income taxes receivable	37	-
Inventories	249	346
Regulatory balancing accounts – undercollected	114	38
Regulatory assets	101	89
Fixed-price contracts and other derivatives	75	85
Settlement receivable related to wildfire litigation	-	10
Other	237	143
Total current assets	2,040	2,332
Investments and other assets:		
Restricted cash	18	22
Regulatory assets arising from pension and other postretirement benefit obligations	1,050	1,126
Regulatory assets arising from wildfire litigation costs	668	594
Other regulatory assets	1,123	1,060
Nuclear decommissioning trusts	847	804
Investments	1,639	1,671
Goodwill	1,067	1,036
Other intangible assets	441	448
Sundry	712	691
Total investments and other assets	7,565	7,452
Property, plant and equipment, net	24,597	23,465
Total assets	\$ 34,202	\$ 33,249
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$ 713	\$ 449
Accounts payable	1,012	1,107
Income taxes payable	-	5
Deferred income taxes	163	173
Dividends and interest payable	256	219
Accrued compensation and benefits	222	323
Regulatory balancing accounts – overcollected	270	105
Current portion of long-term debt	698	336
Fixed-price contracts and other derivatives	91	92
Customer deposits	145	142
Reserve for wildfire litigation	305	586
Other	559	615
Total current liabilities	4,434	4,152
Long-term debt	10,315	10,078
Deferred credits and other liabilities:		
Customer advances for construction	148	142
Pension and other postretirement benefit obligations, net of plan assets	1,345	1,423
Deferred income taxes	1,544	1,520
Deferred investment tax credits	48	49
Regulatory liabilities arising from removal obligations	2,614	2,551
Asset retirement obligations	1,947	1,905
Other regulatory liabilities	68	87
Fixed-price contracts and other derivatives	285	301
Reserve for wildfire litigation	171	10
Deferred credits and other	911	774
Total deferred credits and other liabilities	9,081	8,762
Contingently redeemable preferred stock of subsidiary	79	79
Equity:		
Total Sempra Energy shareholders' equity	9,879	9,775
Preferred stock of subsidiaries	20	20
Other noncontrolling interests	394	383
Total equity	10,293	10,178
Total liabilities and equity	\$ 34,202	\$ 33,249

(1) As adjusted for the retrospective effect of a change in accounting principle.

(2) Derived from audited financial statements.

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Table C

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)	Six months ended	
	2012	2011(1)
	June 30,	
	(unaudited)	
Cash Flows from Operating Activities		
Net income	\$ 325	\$ 754
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	523	478
Deferred income taxes and investment tax credits	(53)	138
Equity losses (earnings)	262	(47)
Remeasurement of equity method investments	-	(277)
Fixed-price contracts and other derivatives	1	(2)
Other	1	(23)
Net change in other working capital components	28	75
Distributions from RBS Sempra Commodities LLP	-	53
Changes in other assets	13	2
Changes in other liabilities	52	(12)
Net cash provided by operating activities	<u>1,152</u>	<u>1,139</u>
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(1,517)	(1,225)
Expenditures for investments and acquisition of businesses, net of cash acquired	(303)	(682)
Proceeds from sale of joint venture interest	9	-
Distributions from RBS Sempra Commodities LLP	-	276
Distributions from other investments	31	29
Purchases of nuclear decommissioning and other trust assets	(327)	(97)
Proceeds from sales by nuclear decommissioning and other trusts	329	94
Decrease in restricted cash	68	388
Increase in restricted cash	(61)	(420)
Other	(10)	(16)
Net cash used in investing activities	<u>(1,781)</u>	<u>(1,653)</u>
Cash Flows from Financing Activities		
Common dividends paid	(260)	(210)
Redemption of subsidiary preferred stock	-	(80)
Preferred dividends paid by subsidiaries	(3)	(5)
Issuances of common stock	45	20
Repurchases of common stock	(16)	(18)
Issuances of debt (maturities greater than 90 days)	1,167	870
Payments on debt (maturities greater than 90 days)	(559)	(270)
Increase (decrease) in short-term debt, net	241	(319)
Other	(21)	10
Net cash provided by (used in) financing activities	<u>594</u>	<u>(2)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>4</u>	<u>(4)</u>
Decrease in cash and cash equivalents	(31)	(520)
Cash and cash equivalents, January 1	252	912
Cash and cash equivalents, June 30	<u>\$ 221</u>	<u>\$ 392</u>

(1) As adjusted for the retrospective effect of a change in accounting principle.

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Table D

SEGMENT EARNINGS AND CAPITAL EXPENDITURES & INVESTMENTS

(Dollars in millions)	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	(unaudited)			
Earnings (Losses)				
California Utilities:				
San Diego Gas & Electric	\$ 95	\$ 71	\$ 200	\$ 160
Southern California Gas	53	59	119	127
Sempra International:				
Sempra South American Utilities	38	314	78	336
Sempra Mexico	43	35	80	74
Sempra U.S. Gas & Power:				
Sempra Renewables	24	4	34	8
Sempra Natural Gas	(193)	47	(192)	110
Parent and other	2	(27)	(21)	(58)
Earnings	<u>\$ 62</u>	<u>\$ 503</u>	<u>\$ 298</u>	<u>\$ 757</u>

(Dollars in millions)	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	(unaudited)			
Capital Expenditures and Investments				
California Utilities:				
San Diego Gas & Electric	\$ 331	\$ 366	\$ 729	\$ 714
Southern California Gas	151	157	316	325
Sempra International:				
Sempra South American Utilities	39	(214) ⁽¹⁾	59	(214) ⁽¹⁾
Sempra Mexico	4	4	9	7
Sempra U.S. Gas & Power:				
Sempra Renewables	343	9	594	55
Sempra Natural Gas	90	121	112	167
Parent and other	-	853 ⁽¹⁾	1	853 ⁽¹⁾
Consolidated Capital Expenditures and Investments	<u>\$ 958</u>	<u>\$ 1,296</u>	<u>\$ 1,820</u>	<u>\$ 1,907</u>

⁽¹⁾ The \$611 million of net cash used to fund the purchase of controlling interests in our investments in Chile and Peru in the second quarter of 2011 is recorded as a net expenditure of \$852 million at Parent and Other, partially offset by \$241 million of cash acquired in the purchase, which is recorded at Sempra South American Utilities.

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Table E

OTHER OPERATING STATISTICS (Unaudited)

UTILITIES	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
California Utilities - SDG&E and SoCalGas				
Gas Sales (bcf) ⁽¹⁾	83	85	217	223
Transportation (bcf) ⁽¹⁾	174	137	345	294
Total Deliveries (bcf) ⁽¹⁾	257	222	562	517
Total Gas Customers (Thousands)			6,665	6,644
Electric Sales (Millions of kWhs) ⁽¹⁾	3,827	3,827	7,916	7,975
Direct Access (Millions of kWhs)	820	782	1,572	1,568
Total Deliveries (Millions of kWhs) ⁽¹⁾	4,647	4,609	9,488	9,543
Total Electric Customers (Thousands)			1,397	1,390
Other Utilities⁽²⁾				
Natural Gas Sales (bcf)				
Argentina	87	87	160	157
Mexico	6	5	12	11
Mobile Gas	8	9	23	19
Willmut Gas ⁽³⁾	4	-	4	-
Natural Gas Customers (Thousands)				
Argentina			1,833	1,781
Mexico			91	89
Mobile Gas			88	90
Willmut Gas ⁽³⁾			20	-
Electric Sales (Millions of kWhs)				
Peru	1,669	1,570	3,359	3,164
Chile	638	604	1,383	1,265
Electric Customers (Thousands)				
Peru			941	907
Chile			617	603
ENERGY-RELATED BUSINESSES				
Sempra International				
Power Sold (Millions of kWhs)				
Sempra Mexico ⁽⁴⁾	894	612	1,972	1,528
Sempra U.S. Gas & Power				
Power Sold (Millions of kWhs)				
Sempra Renewables ⁽⁵⁾	253	155	526	277
Sempra Natural Gas	1,459	2,809	3,399	6,044

⁽¹⁾ Includes intercompany sales

⁽²⁾ Represents 100% of the distribution operations of the subsidiary, although the subsidiary in Argentina is not consolidated within Sempra Energy and the related investments are accounted for under the equity method. The subsidiaries in Peru and Chile were also accounted for under the equity method until April 6, 2011, when they became consolidated entities upon our acquisition of additional ownership interests.

⁽³⁾ Acquired in May 2012.

⁽⁴⁾ Sales to Sempra Natural Gas.

⁽⁵⁾ Includes 50% of total power sold related to wind projects in which Sempra Energy has a 50% ownership. These subsidiaries are not consolidated within Sempra Energy and the related investments are accounted for under the equity method.

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Table F (Unaudited)

Statement of Operations Data by Segment

Three Months Ended June 30, 2012

(Dollars in millions)	SDG&E	SoCalGas	Sempra South American Utilities	Sempra Mexico	Sempra Renewables	Sempra Natural Gas	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 780	\$ 720	\$ 348	\$ 118	\$ 14	\$ 198	\$ (89)	\$ 2,089
Cost of Sales and Other Expenses	(492)	(535)	(270)	(63)	(1)	(196)	66	(1,491)
Depreciation & Amortization	(119)	(90)	(14)	(16)	(3)	(22)	(2)	(266)
Equity Losses Recorded Before Income Tax	-	-	-	-	(2)	(290) ⁽¹⁾	(1)	(293)
Other Income (Expense), Net	24	4	-	(2)	-	-	(8)	18
Income (Loss) Before Interest & Tax ⁽²⁾	193	99	64	37	8	(310)	(34)	57
Net Interest (Expense) Income ⁽³⁾	(40)	(18)	(2)	1	(2)	(11)	(38)	(110)
Income Tax (Expense) Benefit	(53)	(28)	(17)	(3)	18	128	73	118
Equity Earnings Recorded Net of Income Tax	-	-	-	8	-	-	-	8
(Earnings) Losses Attributable to Noncontrolling Interests	(5)	-	(7)	-	-	-	1	(11)
Earnings (Losses)	\$ 95	\$ 53	\$ 38	\$ 43	\$ 24	\$ (193)	\$ 2	\$ 62

Three Months Ended June 30, 2011

(Dollars in millions)	SDG&E	SoCalGas	Sempra South American Utilities	Sempra Mexico	Sempra Renewables	Sempra Natural Gas	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 697	\$ 876	\$ 361	\$ 171	\$ 6	\$ 436	\$ (125)	\$ 2,422
Cost of Sales and Other Expenses	(479)	(691)	(287)	(114)	(3)	(320)	97	(1,797)
Depreciation & Amortization	(105)	(82)	(13)	(16)	(2)	(27)	(3)	(248)
Equity (Losses) Earnings Recorded Before Income Tax	-	-	-	-	(1)	10	(2)	7
Other Income, Net	13	3	276 ⁽⁴⁾	2	-	-	14	308
Income (Loss) Before Interest & Tax ⁽²⁾	126	106	337	43	-	99	(19)	692
Net Interest Expense ⁽³⁾	(32)	(19)	(2)	(4)	(2)	(14)	(36)	(109)
Income Tax (Expense) Benefit	(42)	(28)	(12)	(13)	6	(38)	27	(100)
Equity (Losses) Earnings Recorded Net of Income Tax	-	-	(1)	9	-	-	-	8
Losses (Earnings) Attributable to Noncontrolling Interests	19	-	(8)	-	-	-	1	12
Earnings (Losses)	\$ 71	\$ 59	\$ 314	\$ 35	\$ 4	\$ 47	\$ (27)	\$ 503

⁽¹⁾ Includes impairment loss of \$300 million related to our investment in Rockies Express Pipeline LLC.

⁽²⁾ Management believes "Income (Loss) before Interest & Tax" is a useful measurement of our segments' performance because it can be used to evaluate the effectiveness of our operations exclusive of interest and income tax, neither of which is directly relevant to the efficiency of those operations.

⁽³⁾ Net Interest (Expense) Income includes Interest Income, Interest Expense and Preferred Dividends of Subsidiaries.

⁽⁴⁾ Includes gain of \$277 million related to remeasurement of equity method investments.

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Table F (Unaudited)

Statement of Operations Data by Segment

Six Months Ended June 30, 2012

(Dollars in millions)	SDG&E	SoCalGas	Sempra South American Utilities	Sempra Mexico	Sempra Renewables	Sempra Natural Gas	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 1,614	\$ 1,600	\$ 705	\$ 253	\$ 22	\$ 467	\$ (189)	\$ 4,472
Cost of Sales and Other Expenses	(1,036)	(1,209)	(551)	(140)	(10)	(441)	148	(3,239)
Depreciation & Amortization	(231)	(177)	(27)	(31)	(6)	(45)	(6)	(523)
Equity Losses Recorded Before Income Tax	-	-	-	-	(1)	(279) ⁽¹⁾	(1)	(281)
Other Income, Net	54	8	2	2	-	-	27	93
Income (Loss) Before Interest & Tax ⁽²⁾	401	222	129	84	5	(298)	(21)	522
Net Interest Expense ⁽³⁾	(77)	(35)	(8)	-	(6)	(20)	(74)	(220)
Income Tax (Expense) Benefit	(113)	(68)	(30)	(23)	35	126	74	1
Equity Earnings Recorded Net of Income Tax	-	-	-	19	-	-	-	19
Earnings Attributable to Noncontrolling Interests	(11)	-	(13)	-	-	-	-	(24)
Earnings (Losses)	\$ 200	\$ 119	\$ 78	\$ 80	\$ 34	\$ (192)	\$ (21)	\$ 298

Six Months Ended June 30, 2011

(Dollars in millions)	SDG&E	SoCalGas	Sempra South American Utilities	Sempra Mexico	Sempra Renewables	Sempra Natural Gas	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 1,537	\$ 1,932	\$ 361	\$ 378	\$ 10	\$ 885	\$ (247)	\$ 4,856
Cost of Sales and Other Expenses	(1,053)	(1,547)	(289)	(257)	(7)	(648)	204	(3,597)
Depreciation & Amortization	(208)	(163)	(13)	(31)	(3)	(53)	(7)	(478)
Equity (Losses) Earnings Recorded Before Income Tax	-	-	-	-	-	19	(11)	8
Other Income, Net	29	6	276 ⁽⁴⁾	6	-	-	34	351
Income (Loss) Before Interest & Tax ⁽²⁾	305	228	335	96	-	203	(27)	1,140
Net Interest Expense ⁽³⁾	(69)	(36)	(2)	(7)	(5)	(23)	(74)	(216)
Income Tax (Expense) Benefit	(91)	(65)	(12)	(31)	13	(70)	42	(214)
Equity Earnings Recorded Net of Income Tax	-	-	23	16	-	-	-	39
Losses (Earnings) Attributable to Noncontrolling Interests	15	-	(8)	-	-	-	1	8
Earnings (Losses)	\$ 160	\$ 127	\$ 336	\$ 74	\$ 8	\$ 110	\$ (58)	\$ 757

⁽¹⁾ Includes impairment loss of \$300 million related to our investment in Rockies Express Pipeline LLC.

⁽²⁾ Management believes "Income (Loss) before Interest & Tax" is a useful measurement of our segments' performance because it can be used to evaluate the effectiveness of our operations exclusive of interest and income tax, neither of which is directly relevant to the efficiency of those operations.

⁽³⁾ Net Interest (Expense) Income includes Interest Income, Interest Expense and Preferred Dividends of Subsidiaries.

⁽⁴⁾ Includes gain of \$277 million related to remeasurement of equity method investments.