

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
Amendment No. 2

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

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 and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.
1-14201	SEMPRA ENERGY 101 Ash Street San Diego, California 92101 (619)696-2034	California	33-0732627

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

Title of Each Class	Name of Each Exchange on Which Registered
Sempra Energy Common Stock, without par value	NYSE

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No _____

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes _____ No

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.

Yes No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2011 was \$12.6 billion (based on the price at which the common equity was last sold as of the last business day of the most recently completed second fiscal quarter).

Common Stock outstanding, without par value, as of February 24, 2012 was 240,590,672 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the 2011 Annual Report to Shareholders of Sempra Energy are incorporated by reference into Parts I, II and IV.

Portions of the Sempra Energy Proxy Statement prepared for the May 2012 annual meeting of shareholders are incorporated by reference into Part III.

EXPLANATORY NOTE

This Amendment No. 2 to the Sempra Energy Annual Report on Form 10-K for the year ended December 31, 2011 is being filed solely to include the unaudited consolidated financial statements of RBS Sempra Commodities LLP and Subsidiaries (RBS Sempra Commodities) as of and for the year ended December 31, 2011 and as of and for the year ended December 31, 2010, and the audited consolidated financial statements of RBS Sempra Commodities LLP and Subsidiaries as of December 31, 2009, and for the year ended December 31, 2009, and the period from April 1, 2008 (Date of Commencement) to December 31, 2008 and Report of Independent Registered Public Accounting Firm pursuant to Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, as amended. These financial statements are included as financial statement schedules in Item 15. *Exhibits, Financial Statement Schedules* of this Form 10-K/A. Sempra Energy has an investment in RBS Sempra Commodities which it accounts for under the equity method of accounting, and the financial statements as of and for the year ended December 31, 2011 were not available at the time that Sempra Energy filed its Annual Report on Form 10-K on February 28, 2012.

The consent of Deloitte & Touche LLP, independent registered public accounting firm for RBS Sempra Commodities, is also filed as an exhibit to this Form 10-K/A.

This amendment does not update or modify in any way the financial position, results of operations, cash flows or the disclosures in Sempra Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as amended by Form 10-K/A Amendment No. 1 on March 14, 2012, and does not reflect events occurring after the original filing date of February 28, 2012. Accordingly, this Form 10-K/A should be read in conjunction with our other filings made with the SEC subsequent to the filing of our Report on Form 10-K.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)

1. FINANCIAL STATEMENTS

Sempra Energy's financial statements were previously filed as Exhibit 13.1 to the 2010 Annual Report on Form 10-K filed February 28, 2012.

2. FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule was previously filed in Sempra Energy's 2010 Annual Report on Form 10-K filed February 28, 2012.

Schedule I--Sempra Energy Condensed Financial Information of Parent.

The following financial statement schedules are included in this Form 10-K/A for Sempra Energy pursuant to Rule 3-09 of Regulation S-X:

The unaudited consolidated financial statements of RBS Sempra Commodities LLP and subsidiaries as of and for the year ended December 31, 2011, are provided in Exhibit 99.1

The unaudited consolidated financial statements of RBS Sempra Commodities LLP and Subsidiaries as of and for the year ended December 31, 2010, are provided in Exhibit 99.2.

The audited consolidated financial statements of RBS Sempra Commodities LLP and Subsidiaries as of December 31, 2009, and for the year ended December 31, 2009, and the period from April 1, 2008 (Date of Commencement) to December 31, 2008, and Report of Independent Registered Public Accounting Firm are provided in Exhibit 99.3.

Any other schedule for which provision is made in Regulation S-X is not required under the instructions contained therein, is inapplicable or the information is included in the Consolidated Financial Statements and notes thereto in the Annual Report.

3. EXHIBITS

See Exhibit Index on page 6 of this report.

SIGNATURE

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 ENERGY
(Registrant)

Date: March 27, 2012

By: /s/ Joseph A. Householder
Joseph A. Householder
Executive Vice President, Chief Financial Officer
and Chief Accounting Officer

EXHIBIT INDEX

Exhibits filed with the original Form 10-K on February 28, 2012 are designated by an asterisk (*). Exhibits filed with Form 10-K/A, Amendment No. 1 on March 14, 2012, are designated by a double asterisk (**). Exhibits filed herewith are designated by a triple asterisk (***). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. The exhibits filed under the Registration Statements, Proxy Statements and Forms 8-K, 10-K and 10-Q that are incorporated herein by reference were filed under Commission File Number 1-14201 (Sempra Energy), Commission File Number 1-40 (Pacific Lighting Corporation), Commission File Number 1-3779 (San Diego Gas & Electric Company) and/or Commission File Number 1-1402 (Southern California Gas Company).

The following exhibits relate to each registrant as indicated.

EXHIBIT 3 -- BYLAWS AND ARTICLES OF INCORPORATION

Sempra Energy

- 3.1 Amended and Restated Articles of Incorporation of Sempra Energy effective May 23, 2008 (Appendix B to the 2008 Sempra Energy Definitive Proxy Statement, filed on April 15, 2008).
- 3.2 Amended Bylaws of Sempra Energy effective December 4, 2007 (Sempra Energy Form 8-K filed on December 5, 2007, Exhibit 3(ii)).
- 3.3 Amended and Restated Bylaws of Sempra Energy effective May 26, 1998 (Registration Statement on Form S-8 Sempra Energy Registration Statement No. 333-56161 dated June 5, 1998, Exhibit 3.2).

San Diego Gas & Electric Company

- 3.4 Amended and Restated Bylaws of San Diego Gas & Electric effective June 15, 2010 (Form 8-K filed on June 17, 2010, Exhibit 3).
- 3.5 Amended and Restated Articles of Incorporation of San Diego Gas & Electric Company effective November 10, 2006 (2006 SDG&E Form 10-K, Exhibit 3.02).

Southern California Gas Company

- 3.6 Amended and Restated Bylaws of Southern California Gas Company effective June 14, 2010 (Form 8-K filed on June 17, 2010, Exhibit 3.1).
- 3.7 Restated Articles of Incorporation of Southern California Gas Company (1996 SoCalGas Form 10-K, Exhibit 3.01).

EXHIBIT 4 -- INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES

The companies agree to furnish a copy of each such instrument to the Commission upon request.

Sempra Energy

- 4.1 Description of rights of Sempra Energy Common Stock (Amended and Restated Articles of Incorporation of Sempra Energy effective May 23, 2008, Exhibit 3.1 above).
- 4.2 Indenture dated as of February 23, 2000, between Sempra Energy and U.S. Bank Trust National Association, as Trustee (Sempra Energy Registration Statement on Form S-3 (No. 333-153425), filed on September 11, 2008, Exhibit 4.1).

San Diego Gas & Electric Company

- 4.3 Description of preferences of Cumulative Preferred Stock, Preference Stock (Cumulative) and Series Preference Stock (SDG&E Amended and Restated Articles of Incorporation as of November 10, 2006, Exhibit 3.5 above).

Southern California Gas Company

- 4.4 Description of preferences of Preferred Stock, Preference Stock and Series Preferred Stock (Southern California Gas Company Restated Articles of Incorporation, Exhibit 3.7 above).

Sempra Energy / San Diego Gas & Electric Company

- 4.5 Mortgage and Deed of Trust dated July 1, 1940 (SDG&E Registration Statement No. 2-49810, Exhibit 2A).
- 4.6 Ninth Supplemental Indenture dated as of August 1, 1968 (SDG&E Registration Statement No. 2-68420, Exhibit 2D).
- 4.7 Sixteenth Supplemental Indenture dated August 28, 1975 (SDG&E Registration Statement No. 2-68420,

Exhibit 2E).

- 4.8 Thirtieth Supplemental Indenture dated September 28, 1983 (SDG&E Registration Statement No. 33-34017, Exhibit 4.3).

Sempra Energy / Southern California Gas Company

- 4.9 First Mortgage Indenture of Southern California Gas Company to American Trust Company dated October 1, 1940 (Registration Statement No. 2-4504 filed by Southern California Gas Company on September 16, 1940, Exhibit B-4).
- 4.10 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of August 1, 1955 (Registration Statement No. 2-11997 filed by Pacific Lighting Corporation on October 26, 1955, Exhibit 4.07).
- 4.11 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of June 1, 1956 (Registration Statement No. 2-12456 filed by Southern California Gas Company on April 23, 1956, Exhibit 2.08).
- 4.12 Supplemental Indenture of Southern California Gas Company to American Trust Company dated as of December 1, 1956 (2006 Sempra Energy Form 10-K, Exhibit 4.09).
- 4.13 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank dated as of June 1, 1965 (2006 Sempra Energy Form 10-K, Exhibit 4.10).
- 4.14 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of August 1, 1972 (Registration Statement No. 2-59832 filed by Southern California Gas Company on September 6, 1977, Exhibit 2.19).
- 4.15 Supplemental Indenture of Southern California Gas Company to Wells Fargo Bank, National Association dated as of May 1, 1976 (Registration Statement No. 2-56034 filed by Southern California Gas Company on April 14, 1976, Exhibit 2.20).
- 4.16 Supplemental Indenture of Southern California Gas Company to Manufacturers Hanover Trust Company of California, successor to Wells Fargo Bank, National Association, and Crocker National Bank as Successor Trustee dated as of May 18, 1984 (Southern California Gas Company 1984 Form 10-K, Exhibit 4.29).

EXHIBIT 10 -- MATERIAL CONTRACTS

Sempra Energy / San Diego Gas & Electric Company / Southern California Gas Company

- 10.1 Form of Continental Forge and California Class Action Price Reporting Settlement Agreement dated as of January 4, 2006 (Form 8-K filed on January 5, 2006, Exhibit 99.1).
- 10.2 Form of Nevada Antitrust Settlement Agreement dated as of January 4, 2006 (Form 8-K filed on January 5, 2006, Exhibit 99.2).

Sempra Energy

- 10.3 Indemnity Agreement, dated as of April 1, 2008, between Sempra Energy, Pacific Enterprises, Enova Corporation and The Royal Bank of Scotland plc (Sempra Energy March 31, 2008 Form 10-Q, Exhibit 10.2).
- 10.4 First Amendment to Indemnity Agreement, dated as of March 30, 2009, by and among Sempra Energy, Pacific Enterprises, Enova Corporation and The Royal Bank of Scotland plc. (Sempra Energy March 31, 2009 Form 10-Q, Exhibit 10.3).
- 10.5 Second Amendment to Indemnity Agreement, dated as of June 30, 2009, by and among Sempra Energy, Pacific Enterprises, Enova Corporation and The Royal Bank of Scotland plc. (Sempra Energy June 30, 2009 Form 10-Q, Exhibit 10.1).
- 10.6 Third Amendment to Indemnity Agreement, dated as of December 3, 2009, by and among Sempra Energy, Pacific Enterprises, Enova Corporation and The Royal Bank of Scotland plc (2009 Sempra Energy Form 10-K, Exhibit 10.06).
- 10.7 Fourth Amendment to Indemnity Agreement, dated as of April 15, 2011, by and among The Royal Bank of Scotland plc, Sempra Energy, Pacific Enterprises and Enova Corporation (Sempra Energy Form 8-K filed on April 21, 2011, Exhibit 10.2).
- 10.8 Letter Agreement, dated as of April 15, 2011, by and among The Royal Bank of Scotland plc, Sempra Energy, Sempra Commodities, Inc. and Sempra Energy Holdings VII B.V. (Sempra Energy Form 8-K/A filed on April 21, 2011, Exhibit 10.1).
- 10.9 Master Confirmation for Share Purchase Agreement, dated as of September 21, 2010, between Sempra Energy and JPMorgan Chase Bank, National Association. (Sempra Energy September 30, 2010 Form 10-Q, Exhibit 10.1).

- 10.10 First Amendment to Purchase and Sale Agreement, dated as of June 30, 2010, entered into by and among J.P. Morgan Ventures Energy Corporation, Sempra Energy Trading LLC, RBS Sempra Commodities LLP, Sempra Energy and The Royal Bank of Scotland plc. (Sempra Energy June 30, 2010 Form 10-Q, Exhibit 10.1).
- 10.11 Purchase and Sale Agreement, dated as of February 16, 2010, entered into by and among J.P. Morgan Ventures Energy Corporation, Sempra Energy Trading LLC, RBS Sempra Commodities LLP, Sempra Energy and The Royal Bank of Scotland plc. (Sempra Energy Form 8-K filed on February 19, 2010, Exhibit 10.1)
- 10.12 Letter Agreement, dated as of February 16, 2010, entered into by and between Sempra Energy and The Royal Bank of Scotland plc. (Sempra Energy Form 8-K filed on February 19, 2010, Exhibit 10.2)
- 10.13 Limited Liability Partnership Agreement, dated as of April 1, 2008, between Sempra Energy, Sempra Commodities, Inc., Sempra Energy Holdings, VII B.V., RBS Sempra Commodities LLP and The Royal Bank of Scotland plc (Sempra Energy March 31, 2008 Form 10-Q, Exhibit 10.1).
- 10.14 First Amendment to Limited Liability Partnership Agreement, dated as of April 6, 2009 and effective as of November 14, 2008, by and among The Royal Bank of Scotland plc, Sempra Energy, Sempra Commodities, Inc., Sempra Energy Holdings VII B.V. and RBS Sempra Commodities LLP. (Sempra Energy March 31, 2009 Form 10-Q, Exhibit 10.4).
- 10.15 Second Amendment to Limited Liability Partnership Agreement, dated December 23, 2009, by and among The Royal Bank of Scotland plc, Sempra Energy, Sempra Commodities, Inc., Sempra Energy Holdings VII B.V. and RBS Sempra Commodities LLP (2009 Sempra Energy Form 10-K, Exhibit 10.11).
- 10.16 Master Confirmation for Share Purchase Agreement, dated as of April 1, 2008, between Sempra Energy and Merrill Lynch International (June 30, 2008 Sempra Energy Form 10-Q, Exhibit 10.4).
- 10.17 First amendment to the Master Formation and Equity Interest Purchase Agreement, dated as of April 1, 2008, by and among Sempra Energy, Sempra Global, Sempra Energy Trading International, B.V. and The Royal Bank of Scotland plc (Sempra Energy March 31, 2008 Form 10-Q, Exhibit 10.3).
- 10.18 Master Formation and Equity Interest Purchase Agreement, dated as of July 9, 2007, by and among Sempra Energy, Sempra Global, Sempra Energy Trading International, B.V. and The Royal Bank of Scotland plc (Sempra Energy Form 8-K filed on July 9, 2007, Exhibit 10.2).
- 10.19 Energy Purchase Agreement between Sempra Energy Resources and the California Department of Water Resources, executed May 4, 2001 (2001 Sempra Energy Form 10-K, Exhibit 10.01).

Sempra Energy / San Diego Gas & Electric Company

- 10.20 Amended and Restated Operating Order between San Diego Gas & Electric Company and the California Department of Water Resources effective March 10, 2011. (Sempra Energy March 31, 2011 Form 10-Q, Exhibit 10.4).
- 10.21 Amended and Restated Servicing Order between San Diego Gas & Electric Company and the California Department of Water Resources effective March 10, 2011. (Sempra Energy March 31, 2011 Form 10-Q, Exhibit 10.5).

Compensation

Sempra Energy / San Diego Gas & Electric Company / Southern California Gas Company

- * 10.22 First Amendment to the Sempra Energy Employee and Director Savings Plan.
- * 10.23 Severance Pay Agreement between Sempra Energy and M. Javade Chaudhri.
- * 10.24 Severance Pay Agreement between Sempra Energy and Jessie J. Knight, Jr.
- * 10.25 Severance Pay Agreement between Sempra Energy and Michael W. Allman.
- * 10.26 Severance Pay Agreement between Sempra Energy and G. Joyce Rowland.
- 10.27 Amended and Restated Sempra Energy Severance Pay Agreement between Sempra Energy and Debra L. Reed (Sempra Energy Form 8-K filed on July 1, 2011, Exhibit 10.1).
- 10.28 Amendment to Severance Pay Agreement between Sempra Energy and Mark A. Snell (Sempra Energy Form 8-K filed on September 15, 2011, Exhibit 10.1).
- 10.29 Severance Pay Agreement between Sempra Energy and Joseph A. Householder (Sempra Energy Form 8-K filed on September 15, 2011, Exhibit 10.2).
- 10.30 Amendment to the Amendment and Restatement of the Sempra Energy 2005 Deferred Compensation Plan. (2010 Sempra Energy Form 10-K, Exhibit 10.20)
- 10.31 Amendment to the Amended and Restated Sempra Energy Severance Pay Agreement between Sempra

- Energy and Donald E. Felsing (see Exhibit 10.38 below) (2010 Sempra Energy Form 10-K, Exhibit 10.21).
- 10.32 Form of Sempra Energy 2008 Long Term Incentive Plan, 2011 Performance-Based Restricted Stock Unit Award. (Sempra Energy March 31, 2011 Form 10-Q, Exhibit 10.2).
- 10.33 Form of Sempra Energy 2008 Long Term Incentive Plan, 2010 Performance-Based Restricted Stock Unit Award (Sempra Energy March 31, 2010 Form 10-Q, Exhibit 10.1).
- 10.34 Form of 2009 Sempra Energy Severance Pay Agreement (2009 Sempra Energy Form 10-K, Exhibit 10.18).
- 10.35 Form of Sempra Energy 2008 Long Term Incentive Plan, 2009 Performance-Based Restricted Stock Unit Award (March 31, 2009 Sempra Energy Form 10-Q, Exhibit 10.1).
- 10.36 Form of Sempra Energy 2008 Long Term Incentive Plan, 2009 Nonqualified Stock Option Agreement (March 31, 2009 Sempra Energy Form 10-Q, Exhibit 10.2).
- 10.37 Sempra Energy 2008 Long Term Incentive Plan (Appendix A to the 2008 Sempra Energy Definitive Proxy Statement, filed on April 15, 2008).
- 10.38 Form of Indemnification Agreement with Directors and Executive Officers (June 30, 2008 Sempra Energy Form 10-Q, Exhibit 10.2).
- 10.39 Form of Sempra Energy 2008 Long Term Incentive Plan, 2008 Performance-Based Restricted Stock Unit Award (June 30, 2008 Sempra Energy Form 10-Q, Exhibit 10.3).
- 10.40 Form of Sempra Energy 2008 Long Term Incentive Plan, 2008 Nonqualified Stock Option Agreement (June 30, 2008 Sempra Energy Form 10-Q, Exhibit 10.4).
- 10.41 Sempra Energy Amended and Restated Executive Life Insurance Plan (2008 Sempra Energy Form 10-K, Exhibit 10.15).
- 10.42 Amendment and Restatement of the Sempra Energy Cash Balance Restoration Plan (2008 Sempra Energy Form 10-K, Exhibit 10.16).
- 10.43 Form of Amended and Restated Sempra Energy Severance Pay Agreement (2008 Sempra Energy Form 10-K, Exhibit 10.17).
- 10.44 Amendment and Restatement of the Sempra Energy 2005 Deferred Compensation Plan (2008 Sempra Energy Form 10-K, Exhibit 10.18).
- 10.45 Amendment and Restatement of the Sempra Energy Supplemental Executive Retirement Plan (2008 Sempra Energy Form 10-K, Exhibit 10.19).
- 10.46 Sempra Energy Executive Personal Financial Planning Program Policy Document (September 30, 2004 Sempra Energy Form 10-Q, Exhibit 10.11).
- 10.47 2003 Sempra Energy Executive Incentive Plan B (2003 Sempra Energy Form 10-K, Exhibit 10.10).
- 10.48 Sempra Energy Executive Incentive Plan effective January 1, 2003 (2002 Sempra Energy Form 10-K, Exhibit 10.09).
- 10.49 Amended and Restated Sempra Energy Deferred Compensation and Excess Savings Plan (September 30, 2002 Sempra Energy Form 10-Q, Exhibit 10.3).
- 10.50 Sempra Energy Employee Stock Ownership Plan and Trust Agreement effective January 1, 2001 (September 30, 2008 Sempra Energy Form 10-Q, Exhibit 10.1).
- 10.51 Amendment to the Amended and Restated Sempra Energy Deferred Compensation and Excess Savings Plan (2008 Sempra Energy Form 10-K, Exhibit 10.25).
- 10.52 Sempra Energy Amended and Restated Executive Medical Plan. (2008 Sempra Energy Form 10-K, Exhibit 10.26).
- 10.53 Form of Sempra Energy 1998 Long Term Incentive Plan, 2008 Performance-Based Restricted Stock Unit Award (2007 Sempra Energy Form 10-K, Exhibit 10.09).
- 10.54 Form of Sempra Energy 1998 Long Term Incentive Plan, 2008 Non-Qualified Stock Option Agreement (2007 Sempra Energy Form 10-K, Exhibit 10.10).
- 10.55 Amended and Restated Sempra Energy 1998 Long-Term Incentive Plan (June 30, 2003 Sempra Energy Form 10-Q, Exhibit 10.2).

Sempra Energy

- 10.56 Form of Sempra Energy 2008 Long Term Incentive Plan, 2010 Restricted Stock Unit Award for Sempra

Energy's Board of Directors (Sempra Energy June 30, 2010 Form 10-Q, Exhibit 10.2).

- 10.57 Sempra Energy 2008 Long Term Incentive Plan for EnergySouth, Inc. Employees and Other Eligible Individuals (Registration Statement on Form S-8 Sempra Energy Registration Statement No. 333-155191 dated November 7, 2008, Exhibit 10.1).
- 10.58 Form of Sempra Energy 2008 Non-Employee Directors' Stock Plan, Nonqualified Stock Option Agreement (June 30, 2008 Sempra Energy Form 10-Q, Exhibit 10.5).
- 10.59 Sempra Energy Amended and Restated Sempra Energy Retirement Plan for Directors (June 30, 2008 Sempra Energy Form 10-Q, Exhibit 10.7).
- 10.60 Form of Sempra Energy 1998 Non-Employee Directors' Stock Plan Non-Qualified Stock Option Agreement (2006 Sempra Energy Form 10-K, Exhibit 10.09).
- 10.61 Sempra Energy 1998 Non-Employee Directors' Stock Plan (Registration Statement on Form S-8 Sempra Energy Registration Statement No. 333-56161 dated June 5, 1998, Exhibit 4.2).

Nuclear

Sempra Energy / San Diego Gas & Electric Company

- 10.62 Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station, approved November 25, 1987 (1992 SDG&E Form 10-K, Exhibit 10.7).
- 10.63 Amendment No. 1 to the Qualified CPUC Decommissioning Master Trust Agreement dated September 22, 1994 (see Exhibit 10.62 above)(1994 SDG&E Form 10-K, Exhibit 10.56).
- 10.64 Second Amendment to the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.62 above)(1994 SDG&E Form 10-K, Exhibit 10.57).
- 10.65 Third Amendment to the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.62 above)(1996 SDG&E Form 10-K, Exhibit 10.59).
- 10.66 Fourth Amendment to the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.62 above)(1996 SDG&E Form 10-K, Exhibit 10.60).
- 10.67 Fifth Amendment to the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.62 above)(1999 SDG&E Form 10-K, Exhibit 10.26).
- 10.68 Sixth Amendment to the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.62 above)(1999 SDG&E Form 10-K, Exhibit 10.27).
- 10.69 Seventh Amendment to the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station dated December 24, 2003 (see Exhibit 10.62 above)(2003 Sempra Energy Form 10-K, Exhibit 10.42).
- * 10.70 Eighth Amendment to the San Diego Gas & Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station dated October 12, 2011 (see Exhibit 10.62 above).
- 10.71 Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station, approved November 25, 1987 (1992 SDG&E Form 10-K, Exhibit 10.8).
- 10.72 First Amendment to the San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.71 above)(1996 SDG&E Form 10-K, Exhibit 10.62).
- 10.73 Second Amendment to the San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.71 above)(1996 SDG&E Form 10-K, Exhibit 10.63).
- 10.74 Third Amendment to the San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.71 above)(1999 SDG&E Form 10-K, Exhibit 10.31).
- 10.75 Fourth Amendment to the San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station (see Exhibit 10.71 above)(1999 SDG&E Form 10-K, Exhibit 10.32).
- 10.76 Fifth Amendment to the San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station dated December

24, 2003 (see Exhibit 10.71 above)(2003 Sempra Energy Form 10-K, Exhibit 10.48).

- * 10.77 Sixth Amendment to the San Diego Gas & Electric Company Nuclear Facilities Non-Qualified CPUC Decommissioning Master Trust Agreement for San Onofre Nuclear Generating Station dated October 12, 2011 (see Exhibit 10.71 above).
- 10.78 Second Amended San Onofre Operating Agreement among Southern California Edison Company, SDG&E, the City of Anaheim and the City of Riverside, dated February 26, 1987 (1990 SDG&E Form 10-K, Exhibit 10.6).
- 10.79 U. S. Department of Energy contract for disposal of spent nuclear fuel and/or high-level radioactive waste, entered into between the DOE and Southern California Edison Company, as agent for SDG&E and others; Contract DE-CR01-83NE44418, dated June 10, 1983 (1988 SDG&E Form 10-K, Exhibit 10N).
- 10.80 San Onofre Unit No. 1 Decommissioning Agreement between Southern California Edison Company and San Diego Gas & Electric Company dated March 23, 2000 (2009 Sempra Energy Form 10-K, Exhibit 10.62).
- 10.81 First Amendment to the San Onofre Unit No. 1 Decommissioning Agreement between Southern California Edison Company and San Diego Gas & Electric Company dated January 22, 2010 (2009 Sempra Energy Form 10-K, Exhibit 10.63).

EXHIBIT 12 -- STATEMENTS RE: COMPUTATION OF RATIOS

Sempra Energy

- * 12.1 Sempra Energy Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

San Diego Gas & Electric Company

- * 12.2 San Diego Gas & Electric Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

Southern California Gas Company

- * 12.3 Southern California Gas Company Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends for the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

EXHIBIT 13 -- ANNUAL REPORT TO SECURITY HOLDERS

Sempra Energy / San Diego Gas & Electric Company / Southern California Gas Company

- * 13.1 Sempra Energy 2011 Annual Report to Shareholders. (Such report, except for the portions thereof which are expressly incorporated by reference in this Annual Report, is furnished for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Annual Report).

EXHIBIT 14 -- CODE OF ETHICS

San Diego Gas & Electric Company / Southern California Gas Company

- 14.1 Sempra Energy Code of Business Conduct and Ethics for Board of Directors and Senior Officers (also applies to directors and officers of San Diego Gas & Electric Company and Southern California Gas Company) (2006 SDG&E and SoCalGas Forms 10-K, Exhibit 14.01).

EXHIBIT 21 -- SUBSIDIARIES

Sempra Energy

- * 21.1 Sempra Energy Schedule of Significant Subsidiaries at December 31, 2011.

EXHIBIT 23 -- CONSENTS OF EXPERTS AND COUNSEL

- * 23.1 Consents of Independent Registered Public Accounting Firm and Report on Schedule, pages 40 through 42.
- * 23.2 Consent of Independent Registered Public Accounting Firm.
- *** 23.2 Consent of Independent Registered Public Accounting Firm.

EXHIBIT 31 -- SECTION 302 CERTIFICATIONS

Sempra Energy

- * 31.1 Statement of Sempra Energy's Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

- ** 31.1 Statement of Sempra Energy’s Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- *** 31.1 Statement of Sempra Energy’s Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- * 31.2 Statement of Sempra Energy’s Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
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San Diego Gas & Electric Company

- * 31.3 Statement of San Diego Gas & Electric Company’s Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- ** 31.3 Statement of San Diego Gas & Electric Company’s Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- * 31.4 Statement of San Diego Gas & Electric Company’s Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- ** 31.4 Statement of San Diego Gas & Electric Company’s Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

Southern California Gas Company

- * 31.5 Statement of Southern California Gas Company’s Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- ** 31.5 Statement of Southern California Gas Company’s Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- * 31.6 Statement of Southern California Gas Company’s Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
- ** 31.6 Statement of Southern California Gas Company’s Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

EXHIBIT 32 -- SECTION 906 CERTIFICATIONS

Sempra Energy

- * 32.1 Statement of Sempra Energy’s Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.
- ** 32.1 Statement of Sempra Energy’s Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.
- *** 32.1 Statement of Sempra Energy’s Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.
- * 32.2 Statement of Sempra Energy’s Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.
- ** 32.2 Statement of Sempra Energy’s Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.
- *** 32.2 Statement of Sempra Energy’s Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.

San Diego Gas & Electric Company

- * 32.3 Statement of San Diego Gas & Electric Company’s Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.
- ** 32.3 Statement of San Diego Gas & Electric Company’s Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.
- * 32.4 Statement of San Diego Gas & Electric Company’s Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.
- ** 32.4 Statement of San Diego Gas & Electric Company’s Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.

Southern California Gas Company

- * 32.5 Statement of Southern California Gas Company’s Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.

- ** 32.5 Statement of Southern California Gas Company's Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.
- * 32.6 Statement of Southern California Gas Company's Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.
- ** 32.6 Statement of Southern California Gas Company's Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.

EXHIBIT 99 – ADDITIONAL EXHIBITS

Sempra Energy

- *** 99.1 The unaudited consolidated financial statements of RBS Sempra Commodities LLP and Subsidiaries as of and for the year ended December 31, 2011.
- *** 99.2 The unaudited consolidated financial statements of RBS Sempra Commodities LLP and Subsidiaries as of and for the year ended December 31, 2010.
- *** 99.3 The audited consolidated financial statements of RBS Sempra Commodities LLP and Subsidiaries as of December 31, 2009, and for the year ended December 31, 2009, and the period from April 1, 2008 (Date of Commencement) to December 31, 2008, and Report of Independent Registered Public Accounting Firm.

EXHIBIT 101 -- INTERACTIVE DATA FILE

- ** 101.INS XBRL Instance Document
- ** 101.SCH XBRL Taxonomy Extension Schema Document
- ** 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- ** 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- ** 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- ** 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-176855 on Form S-3 of Sempra Energy and Registration Statement Nos. 333-56161, 333-50806, 333-49732, 333-121073, 333-128441, 333-151184, 333-155191, 333-129774 and 333-157567 on Form S-8 of Sempra Energy of our report dated February 22, 2010 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to an agreement to sell certain businesses), relating to the consolidated statement of financial condition of RBS Sempra Commodities LLP and subsidiaries as of December 31, 2009, and the related consolidated statements of income, cash flows, and changes in members' capital, for the year ended December 31, 2009 and the period from April 1, 2008 (Date of Commencement) to December 31, 2008, which report is included in this Amendment No. 2 to Form 10-K/A of Sempra Energy for the year ended December 31, 2011.

/s/ Deloitte & Touche LLP

New York, New York
March 27, 2012

CERTIFICATION

I, Debra L. Reed, certify that:

1. I have reviewed this report on Form 10-K/A Amendment No. 2 of Sempra Energy;
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 13(a)-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 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.

March 27, 2012

/s/ Debra L. Reed
Debra L. Reed
Chief Executive Officer

CERTIFICATION

I, Joseph A. Householder, certify that:

1. I have reviewed this report on Form 10-K/A Amendment No. 2 of Sempra Energy;
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 13(a)-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 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.

March 27, 2012

/s/ Joseph A. Householder
Joseph A. Householder
Chief Financial Officer

Statement of Chief Executive Officer

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Executive Officer of Semptra Energy (the "Company") certifies that:

- (i) the Annual Report on Form 10-K/A Amendment No. 2 of the Company filed with the Securities and Exchange Commission for the year ended December 31, 2011 (the "Annual 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 Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 27, 2012

/s/ Debra L. Reed
Debra L. Reed
Chief Executive Officer

Statement of Chief Financial Officer

Pursuant to 18 U.S.C. Sec 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned Chief Financial Officer of Sempra Energy (the "Company") certifies that:

- (i) the Annual Report on Form 10-K/A Amendment No. 2 of the Company filed with the Securities and Exchange Commission for the year ended December 31, 2011 (the "Annual 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 Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 27, 2012

/s/ Joseph A. Householder

Joseph A. Householder
Chief Financial Officer

RBS Sempra Commodities LLP and Subsidiaries

Consolidated Financial Statements as of
and for the Year Ended December 31, 2011
(Prepared on a liquidation basis)
(Unaudited)

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Consolidated Statement of Net Assets as of December 31, 2011 (Liquidation basis)

Consolidated Statement of Operations for the year ended December 31, 2011 (Liquidation basis)

Consolidated Statement of Cash Flows for the year ended December 31, 2011 (Liquidation basis)

Consolidated Statement of Changes in Members' Capital for the year ended December 31, 2011 (Liquidation basis)

Notes to Consolidated Financial Statements on a liquidation basis

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2011 ON A LIQUIDATION BASIS (UNAUDITED) (Dollars in thousands)

ASSETS

Cash and cash equivalents	\$	36,660
Trading assets		24,909
Receivables from affiliates		319,066
Investments in marketable securities		7,316
Other assets		1,747
		<hr/>
Total assets		389,698

LIABILITIES

Trading liabilities		17,491
Accounts payable and accrued liabilities		133,382
		<hr/>
Total liabilities		150,873

NET ASSETS IN LIQUIDATION	\$	238,825
		<hr/> <hr/>

See notes to consolidated financial statements prepared on a liquidation basis.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011 ON A LIQUIDATION BASIS (UNAUDITED) (Dollars in thousands)

REVENUES:

Fee income	\$ 1,234
Principal transactions - net	41,315
Interest and other income	16,256
	<hr/>
Total revenues	58,805

EXPENSES:

Compensation and benefits	4,690
Storage and transportation	42,130
Facilities and communications	19,062
Brokerage, execution and clearing	902
Professional fees	10,259
Interest expense	7,767
Other expenses	1,188
	<hr/>
Total expenses	85,998

NET GAIN ON DISPOSAL ACTIVITIES

 15,457

LOSS BEFORE PROVISION FOR INCOME TAXES AND EQUITY IN INCOME
OF UNCONSOLIDATED AFFILIATES - Net of provision for income taxes (11,736)

PROVISION FOR INCOME TAXES (3,177)

EQUITY IN INCOME OF UNCONSOLIDATED
AFFILIATES - Net of provision for income taxes

 1,086

NET LOSS

 \$ (13,827)

See notes to consolidated financial statements prepared on a liquidation basis.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011 ON A LIQUIDATION BASIS (UNAUDITED) (Dollars in thousands)

OPERATING ACTIVITIES:

Net loss	\$ (13,827)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	5,488
Gain on investment in marketable securities	(682)
Net gain on disposal activities	(15,457)
Equity in income of unconsolidated affiliates - net of provision for income taxes	(1,086)
Change in operating assets and liabilities:	
Trading assets	2,150,462
Commodities owned	187,934
Other assets	18,898
Receivables from affiliates	1,637,944
Trading liabilities	(2,331,932)
Payable to affiliate	(2,611)
Accounts payable and accrued liabilities	(411,986)
	<hr/>
Net cash provided by operating activities	1,223,145

INVESTING ACTIVITIES:

Proceeds from sales of property, plant and equipment	21,341
Proceeds from sales of investments in unconsolidated affiliates	71,550
Proceeds from sales of investments in marketable securities	10,260
	<hr/>
Net cash provided by investing activities	103,151

FINANCING ACTIVITIES:

Distributions paid to members	(1,391,988)
	<hr/>
Net cash used in financing activities	(1,391,988)

NET DECREASE IN CASH AND CASH EQUIVALENTS (65,692)

CASH AND CASH EQUIVALENTS - Beginning of period

102,352

CASH AND CASH EQUIVALENTS - End of period

\$ 36,660

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION - Cash paid
during the period for income taxes

\$ 600

See notes to consolidated financial statements prepared on a liquidation basis.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2011 ON A LIQUIDATION BASIS (UNAUDITED) (Dollars in thousands)

	Comprehensive Loss	Members' Capital	Accumulated Other Comprehensive Income (Loss)	Total Members' Capital
BALANCE - January 1, 2011		\$ 1,648,585	\$ 2,479	\$ 1,651,064
Net loss	\$ (13,827)	(13,827)		(13,827)
Other comprehensive income (loss):				
Change in unrealized gain (loss) on available-for-sale securities	<u>(6,424)</u>		(6,424)	(6,424)
Comprehensive loss	<u>\$ (20,251)</u>			
Distributions paid to Members		<u>(1,391,988)</u>		<u>(1,391,988)</u>
BALANCE - December 31, 2011 ⁽¹⁾		<u>\$ 242,770</u>	<u>\$ (3,945)</u>	<u>\$ 238,825</u>

(1) As of December 31, 2011 total members' capital represents the net assets in liquidation.

See notes to consolidated financial statements prepared on a liquidation basis.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ON A LIQUIDATION BASIS AS OF DECEMBER 31, 2011 (UNAUDITED)

1. NATURE OF OPERATIONS

On July 9, 2007, Sempra Energy (Sempra) and The Royal Bank of Scotland plc (RBS) (collectively, the Members) entered into a Master Formation and Equity Interest Purchase Agreement to form a partnership, RBS Sempra Commodities LLP (the Partnership or RBSSC), to purchase and operate Sempra's commodity trading and marketing businesses. RBSSC is a partnership formed in the United Kingdom under the Limited Liability Partnership Act 2000.

The Partnership was engaged in physical and financial derivative trading and marketing activities in natural gas, electricity, petroleum, petroleum products, base metals and other commodities with domestic and foreign corporations, financial institutions, multinational organizations, sovereign entities and end users. The Partnership's operations were subject to regulation by the Financial Services Authority, the New York Mercantile Exchange, the Commodity Futures Trading Commission, the Federal Energy Regulatory Commission (FERC), the London Metals Exchange, NYSE Euronext, the Board of Governors of the U.S. Federal Reserve System, and the National Futures Association.

2. DISPOSAL AND LIQUIDATION OF THE PARTNERSHIP

On December 1, 2008, the UK Government through HM Treasury became the ultimate controlling party of the Royal Bank of Scotland Group plc (RBS Group, the ultimate parent company). The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government.

On November 3, 2009, RBS Group reached agreement with the UK Government on key terms of its participation in the Asset Protection Scheme (APS) on revised terms to those announced on February 26, 2009. To comply with the European Commission (EC) State Aid requirements, RBS Group agreed to a series of restructuring measures to be implemented over a four year period. In accordance with the restructuring measures, RBS Group agreed to divest its interest in the Partnership.

On July 1, 2010, the Partnership completed the sale of its Oil, Metals and European Power and Gas businesses to JP Morgan Ventures Energy Corporation (JP Morgan). The total proceeds from the sale were \$1,612 million which included a \$468 million premium over tangible net book value, as determined under International Financial Reporting Standards (IFRS), plus \$737 million of debt with RBS that was subsequently settled.

On November 1, 2010, the Partnership completed the sale of Sempra Energy Solutions business to Noble Group Ltd (Noble). The total proceeds from the sale were \$321 million, which included a \$228 million premium over tangible net book value, as determined under IFRS, plus \$325 million of debt with RBS that was subsequently settled.

On December 1, 2010, the Partnership completed the sale of substantially all of the trading assets and liabilities of its North American Power and Gas businesses to JP Morgan. The assets sold include wholesale power and natural gas trading agreements, as well as over-the-counter and exchange-traded transactions. The total proceeds from the sale were approximately \$9 million, which included a \$155 million discount to tangible book value, as determined under IFRS. The total proceeds are subject to a final review of the asset and liabilities sold. This final review is expected to have a de-minimus impact, if any, on the Partnership's net assets in liquidation.

On February 3, 2011 the Partnership completed the sale of certain residual assets and the transfer of a significant number of employees of the Partnership to Societe Generale. These assets include information technology and intellectual property assets, as well as certain Investments in marketable securities. The total cash proceeds from the sale were \$23 million, which approximated the net realizable value of the assets sold.

During 2011 the Partnership completed the sales of certain investments, and the trading activity relating to these investments, including Gateway Energy Services Corporation, Great Eastern Energy Company and MX Energy for proceeds of \$42 million, \$7 million, and \$23 million, respectively. The cumulative net gain recorded in 2011 was \$15 million.

The above sales transactions represent the sale, or transfer of risk, of substantially all of the operations of the Partnership.

Certain assets and liabilities were not immediately transferred from the Partnership to JP Morgan upon completion of the sales of the Oil, Metals, and European Power and Gas businesses and the North American Power and Gas trading assets and liabilities as consent was required to transfer these contracts. During 2011, the Partnership has continued to novate its Trading assets and liabilities to JP Morgan, as required by the various sales agreements. A few of these assets and liabilities remain recorded on the Consolidated statement of net assets. However, the Partnership and JP Morgan entered into agreements to transfer the risk and rewards of ownership (Risk Transfer Agreements) of these assets and liabilities to JP Morgan, until such time as they are settled or are transferred. The credit risk for a few transactions related to the North American Power and Gas business has been retained by the Partnership until those assets and liabilities have been novated to JP Morgan. This residual credit risk is insignificant at December 31, 2011. The assets and liabilities reported in the Consolidated statement of net assets include the impacts of these agreements.

All of the Trading assets and liabilities reflected on the Consolidated statement of net assets are subject to the Risk Transfer Agreements with JP Morgan described above.

The liquidation process is ongoing which includes the disposal or wind down of the remaining net assets of the Partnership. This includes the Trading assets and liabilities, the Investments in marketable securities, and the settlement of any remaining obligations. The Partnership expects the liquidation process to be substantially complete by the end of 2012. However, the realization of assets and settlement of liabilities is dependent on various factors. Accordingly, the liquidation period may be shorter than projected or it may be extended beyond the projected period. The Partnership does not expect to incur any significant operating costs or receive any significant income on this residual activity throughout the liquidation period. On a regular basis, the Partnership will evaluate the assumptions, judgments and estimates that can have an impact on the reported Net assets in liquidation based on the most recent information available, and where necessary make changes accordingly. Actual costs and income may differ from these estimates, which might increase or decrease net assets available in liquidation to be distributed to the Members. However, these amounts are not expected to be materially different than what has been recorded. The Partnership expects to make distributions to the Members of its remaining cash, to the extent possible, as the residual assets are disposed and the remaining obligations of the Partnership are settled.

The Partnership has agreed, through a transitional services agreement, to operationally support certain business activity that remains on its Consolidated statement of net assets relating to positions whose risk and rewards have been transferred to JP Morgan. The Partnership has accrued for the costs expected to be incurred under the transitional services agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The Consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, (US GAAP) and include the accounts of the Partnership and entities controlled by the Partnership as of December 31, 2011. All material intercompany balances and transactions have been eliminated.

The Consolidated statement of net assets, the Consolidated statement of operations, the Consolidated statement of cash flows, and the Consolidated statement of changes in members' capital for the year ended December 31, 2011 have all been prepared on the liquidation basis of accounting.

The Partnership adopted the liquidation basis of accounting effective December 31, 2010, subsequent to the sale of substantially all of the North American Power and Gas business's trading assets and liabilities, and its December 2010 notifications to employees of the termination of their employment with the Partnership. The liquidation basis of accounting is considered appropriate, when among other things, liquidation of the company is imminent. Under this basis of accounting, assets are valued at their net realizable values and liabilities are stated at their estimated settlement amounts. Certain assets and liabilities are carried at fair value. In these cases, fair value approximates net realizable value at December 31, 2011.

Trading Instruments — Trading assets and liabilities are recorded on a trade-date basis. These amounts include unrealized gains and losses from over-the-counter (OTC) forwards, swaps, and options. Unrealized gains and losses on OTC derivative transactions reflect amounts which would be received from or paid to a third party upon liquidation of these contracts under current market conditions. Unrealized gains and losses on these OTC derivative transactions are reported separately as assets and liabilities unless a legal right of setoff exists under enforceable master netting agreements. All derivative Trading assets and Trading liabilities are carried at fair value as defined in Note 6 - Fair value of assets and liabilities. Principal transaction revenues are recognized on a trade-date basis and include realized gains and losses and the net change in unrealized gains and losses.

Commodity forward and swap transactions are accounted for as contractual commitments on a trade-date basis and are carried at fair value derived from dealer quotations and underlying commodity exchange quotations. OTC options purchased or written are recorded on a trade-date basis and are carried at fair value.

Fair values for trading instruments not quoted in an active market are determined using appropriate valuation techniques, including discounting future cash flows, option pricing models and other methods that are consistent with accepted economic methodologies for pricing trading instruments. These valuation techniques utilize, among other things, available market information, including current interest rates, commodity prices and volatility rates, as applicable. Where market information is not available or where management deems appropriate, current interest rates, commodity prices and volatility rates are estimated by reference to current market levels. Given the nature, size and timing of transactions, estimated values may differ from realized values.

The remaining Trading assets and liabilities are subject to Risk Transfer Agreements with JP Morgan but have not been transferred from the Partnership as of December 31, 2011.

Cash and Cash Equivalents — Cash and cash equivalents are comprised of cash on hand, demand deposits and other short-term highly liquid investments (with original maturities of three months or less) which are subject to an insignificant risk of changes in value. Cash paid for interest approximates interest expense.

Investments in Marketable Securities — Investments in marketable securities are accounted for on a specific identification basis and are reported at fair value. Unrealized gains and losses on available-for-sale securities are included in Accumulated other comprehensive income (loss) (AOCI).

Other Assets — Other assets primarily consist of transactional tax deposits related to goods and services taxes and value added taxes, deposits, expenses paid in advance and miscellaneous other assets.

Fee Income — Fee income includes fees earned by the Partnership while engaged in certain commodities trading activities, in its capacity as agent for RBS as dictated by various partnership agreements. This includes income derived from realized and unrealized gains and losses, net of associated execution costs, including interest, associated with the trading activities of the Partnership.

Income Taxes — The Partnership is a Limited Liability Partnership, incorporated under the Limited Liability Partnership Act of 2000 of the United Kingdom and the regulations made thereunder. For U.S. purposes, RBSSC elected to be treated as a partnership for federal, state and local filings, as permitted. Each member is responsible for reporting its income or loss based on its share of the income and expenses. Certain subsidiaries of the Partnership are subject to tax in foreign jurisdictions where such subsidiary entity may be treated as a

corporation under local tax law. The Partnership records a benefit for tax positions in the financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the financial statements. The Partnership reports interest expense and penalties related to income tax matters as a component of income tax expense.

Accounts Payable and Accrued Liabilities — Accounts payable and accrued liabilities primarily consist of accrued compensation, accrued facility costs, and other miscellaneous liabilities.

Use of Estimates — The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported market value of assets and liabilities at the date and for the reporting period of the financial statements. The most important of the estimates and assumptions relate to net realizable value measures. These statements and assumptions are based on judgments and available information, and consequently, actual results could be materially different from these estimates.

Foreign Currency Transactions — Foreign currency transactions are translated into U.S. dollars at the then current exchange rates during the reporting period. Assets and liabilities denominated in foreign currencies have been converted into U.S. dollars at year-end exchange rates. Gains and losses resulting from foreign currency transactions are included in Principal transactions - net.

Recently Issued Accounting Pronouncements — In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04 “Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS”. The update provides clarifications to existing fair value measurement guidance and introduces new disclosure requirements. The ASU will be effective for interim and annual periods beginning after December 15, 2011 and is not expected to have a material impact on the Partnership’s Consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11 “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities”. This update establishes new offsetting disclosures to enable financial statement users to reconcile the largest quantitative differences between balance sheets prepared under US GAAP and those prepared under IFRS. All financial instruments that are subject to an enforceable master netting arrangement or similar agreement are affected by the new requirements, regardless of whether or not they are offset in accordance with the offsetting rules. The existing US GAAP guidance on offsetting remains unchanged. The ASU will be effective for periods beginning on or after January 1, 2013 and will require retrospective application. The update will result in additional disclosures but will not materially impact the Partnership’s Consolidated financial statements.

4. TRANSACTIONS WITH AFFILIATES

The Partnership conducts transactions with affiliated companies. The trading activity with affiliated companies has been significantly reduced in 2011, consistent with the liquidation of the business. Certain trading positions that were previously managed by the Partnership and are now managed by RBS, remain on the RBS balance sheet. The profit and loss on these positions, as well as the costs associated with servicing the trades, is recognized by the Partnership. These transactions are not expected to have a significant impact on the Partnership’s net assets in liquidation.

The majority of the balance in Receivables from affiliates is comprised of funds that the Partnership has on deposit with RBS. These funds are available to the Partnership on demand. The Partnership earned interest income and incurred interest expense with RBS related to the Partnership’s deposits with and borrowings from RBS. The Partnership was also allocated costs from RBS for services provided.

The following table summarizes the Partnership’s assets and liabilities as of December 31, 2011 and the Partnership’s revenues and expenses for the year ended December 31, 2011 with affiliated companies (in thousands):

Assets:	
Trading assets	\$ 140
Receivables from affiliates	319,066
Liabilities:	
Trading liabilities	1,693
Revenues and expenses:	
Fee income	1,234
Interest income	1,521
Interest expense	7,767
RBS allocated expenses	1,877

5. DERIVATIVES AND HEDGING ACTIVITIES

The Partnership recognizes derivative instruments as either assets or liabilities in the Consolidated statement of net assets and measures those instruments at fair value. The changes in fair value of the derivative transactions of the Partnership are currently presented, in all material respects, as a component of Principal transactions - net in the Consolidated statement of operations.

Effective with the closing of the sale of the North American Power and Gas business’s assets and liabilities, the Partnership has ceased substantially all of its trading operations. The remaining derivative assets and liabilities are subject to the Risk Transfer Agreements. See Note 2 - Disposal and liquidation of the Partnership.

6. FAIR VALUE OF ASSETS AND LIABILITIES

As discussed in Note 2 - Disposal and liquidation of the Partnership, the Partnership has substantially transferred the risk of its Trading assets and liabilities. In addition, other assets of the Partnership have not been sold and the Partnership is actively engaged in the dissolution and or sale of those assets. The assets and liabilities of the Partnership as of December 31, 2011 are carried at net realizable value, in accordance with the liquidation basis of accounting. The net realizable value approximates the fair value of these assets and liabilities.

The Partnership applies recurring fair value measurements to certain assets and liabilities that are carried at fair value taking into account the transactions with JP Morgan. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Partnership utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Partnership primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Partnership utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Partnership is able to classify fair value balances based on the observability of those inputs. The fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). All Trading assets and liabilities are classified as level 2, and all Investments in marketable securities are classified as level 1.

The remaining Trading assets and liabilities are subject to the Risk Transfer Agreements with JP Morgan but have not been transferred from the Partnership as of December 31, 2011. See Note 2 - Disposal and liquidation of the Partnership for additional information on the dissolution of the Partnership.

7. TRADING ACTIVITY AND RISK MANAGEMENT

In connection with the sales transactions and liquidation activities as discussed in Note 2 - Disposal and liquidation of the Partnership, the Partnership ceased substantially all of its trading activity and has transferred substantially all of its market risk. The transfer was effected through the outright sales of its various trading operations and activities, and for operations and activities that were sold and not yet novated, through the execution of Risk Transfer Agreements with JP Morgan.

The Partnership's credit risk from financial instruments as of December 31, 2011 is represented by the positive fair value of financial instruments after consideration of netting and collateral in the form of customer margins and Letters of Credit, and after consideration of Risk Transfer Agreements entered into during 2010 in connection with the sales transactions discussed in Note 2 - Disposal and liquidation of the Partnership. The Partnership continues to monitor and control its de-minimus residual credit risk exposures through various systems and processes.

The Partnership provided letters of credit issued by various banks, in addition to cash, to counterparties to satisfy various collateral and margin deposit requirements (see Note 9 - Borrowings and credit facilities).

8. INVESTMENTS IN MARKETABLE SECURITIES

The Partnership held equity securities of \$7.3 million categorized as available-for-sale securities, and included in Investments in marketable securities as of December 31, 2011. As of December 31, 2011, gross unrealized losses were \$3.9 million. The Partnership sold certain Investments in marketable securities in 2011 for proceeds of \$10.2 million, and realized a gain of \$0.7 million.

9. BORROWINGS AND CREDIT FACILITIES

At December 31, 2011 the Partnership had \$10.7 million of committed letters of credit and no borrowings. At December 31, 2011 RBS continued to provide a line of credit of \$100 million to the Partnership pursuant to its obligation to lend cash and other working capital to the Partnership as necessary.

10. INCOME TAXES

The Partnership is a Limited Liability Partnership, incorporated under the laws of the United Kingdom and for U.S. purposes has elected to be treated as a Partnership for U.S. federal, state and local filings. The income or loss applicable to the operations of the Partnership is includable in the U.S. income tax returns of the Members. Certain subsidiaries of the Partnership are subject to tax in foreign jurisdictions where such subsidiary is treated as a corporation under local tax laws.

The provision for income taxes for the year ended December 31, 2011 is summarized below (in thousands):

Current - foreign (other than U.S.)	\$ 2,923
Current - state	254
	<hr/>
Total provision for income taxes	<u>\$ 3,177</u>

As of December 31, 2011 the Partnership has no net deferred taxes.

The provision for income taxes varies from the federal income tax rate of 35% primarily because the entity is treated as a partnership for federal and state tax purposes and the income or loss applicable to its operations is included in the income tax returns of the Members.

The total amounts of gross unrecognized tax benefits at the beginning and ending of the year are as follows (in thousands):

Unrecognized tax benefits, as of January 1, 2011	\$ 4,995
Gross decreases - tax positions in prior period	(115)
Gross increases - current period tax positions	<u>170</u>
Unrecognized tax benefits, as of December 31, 2011	<u>\$ 5,050</u>

The total unrecognized tax benefits of approximately \$5.1 million represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods. Accrued interest related to uncertain tax provision amounted to \$0.4 million as of December 31, 2011. RBSSC recorded the interest expense of \$0.4 million in the Consolidated statement of operations. No penalties were accrued in the Consolidated statement of operations.

As a result of the organization of the Partnership, any tax liability arising from the Partnership's operations prior to the effective date of the joint venture will be borne by Sempra. The Partnership commenced on April 1, 2008. The years ended December 31, 2011, 2010 and 2009 and the period from April 1, 2008 (date of formation of the Joint Venture) through December 31, 2008 are open under statute for examination for U.S. federal, state and local tax returns. The statute of limitations for other material foreign tax returns remains open for 2007 and forward.

11. COMMITMENTS AND CONTINGENCIES

Minimum non-cancelable lease commitments for office facilities, exclusive of real estate taxes and other expenses are as follows (in thousands):

2012	\$ 1,275
2013	1,298
2014	1,325
2015	1,360
2016	1,341
Thereafter	<u>9,482</u>
	<u>\$ 16,081</u>

Office leases, which expire at various dates through 2024, contain provisions for escalation based on certain cost increases incurred by the lessors. Rent expense was \$1.6 million for the year ended December 31, 2011. In connection with the adoption of the liquidation basis of accounting, the Partnership recorded the estimated future liability for certain lease commitments, net of anticipated sub-lease income.

Certain claims, suits and allegations have been filed or are pending against the Partnership. In addition, the Partnership (through certain of its subsidiaries) was a respondent in a number of proceedings initiated at the FERC concerning rates charged for short-term sales of power to the California Independent System Operator Corporation (ISO), the California Power Exchange (PX), and the California Department of Water Resources (CDWR) for power supplied during portions of 2000 and 2001. These matters were settled with respect to the ISO, PX, CDWR, the California investor owned utilities and other purchasers who elected to opt into the settlement, during 2010, with no material impact to the results of operations for 2010. The amounts due as a result of the 2010 settlement were paid during the first quarter of 2011. The Partnership (through certain of its subsidiaries) remains a respondent in a proceeding initiated at the FERC concerning rates charged for short-term sales of power supplied during portions of 2000 and 2001 into the Pacific Northwest market.

The Partnership has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation. The Partnership is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and regulatory agencies regarding the Company's business, including, among other matters, accounting and operational matters. The Partnership contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, the Partnership cannot predict with certainty the loss or range of loss, if any, related to such matters. Subject to the foregoing, the Partnership believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters should not have a material adverse effect on the Partnership's net assets available in liquidation.

In connection with the sales activities detailed in Note 2 - Disposal and liquidation of the Partnership, the Partnership made certain customary representations and warranties to JP Morgan, Noble and Societe Generale.

12. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events for adjustment to or disclosure in its financial statements through March 27, 2012, the date the Consolidated financial statements were issued. No recordable or disclosable events, other than the events as disclosed above, occurred through this date.

RBS Sempra Commodities LLP and Subsidiaries

Consolidated Financial Statements as of
and for the Year Ended December 31, 2010
(Unaudited)

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

Consolidated Statement of Net Assets as of December 31, 2010 (Liquidation basis)

Consolidated Statement of Operations for the year ended December 31, 2010 (Going concern basis)

Consolidated Statement of Cash Flows for the year ended December 31, 2010 (Going concern basis)

Consolidated Statement of Changes in Members' Capital for the year ended December 31, 2010
(Going concern basis)

Notes to Consolidated Financial Statements

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF NET ASSETS AS OF
DECEMBER 31, 2010 ON A LIQUIDATION BASIS (UNAUDITED)
(Dollars in thousands)

ASSETS

Cash and cash equivalents	\$ 102,352
Trading assets	2,175,371
Commodities owned	187,934
Receivables from affiliates	1,957,010
Investments in marketable securities	23,318
Other assets	75,488
Property, plant, and equipment	<u>27,461</u>
Total assets	<u>4,548,934</u>

LIABILITIES

Trading liabilities	2,349,423
Accounts payable and accrued liabilities	545,836
Payable to affiliate	<u>2,611</u>
Total liabilities	2,897,870

NET ASSETS IN LIQUIDATION	<u><u>\$ 1,651,064</u></u>
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See notes to consolidated financial statements.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010 ON A GOING CONCERN BASIS (UNAUDITED) (Dollars in thousands)

REVENUES:

Fee income	\$ 553,670
Principal transactions - net	469,362
Interest and other income	3,719

Total revenues 1,026,751

EXPENSES:

Compensation and benefits	391,355
Storage and transportation	405,769
Facilities and communications	76,082
Brokerage, execution and clearing	45,847
Professional fees	25,872
Interest expense	22,758
Other expenses	61,955

Total expenses 1,029,638

NET LOSS ON DISPOSAL ACTIVITIES (154,916)

LOSS BEFORE PROVISION FOR INCOME TAXES AND EQUITY IN INCOME
OF UNCONSOLIDATED AFFILIATES — Net of provision for income taxes (157,803)

PROVISION FOR INCOME TAXES (14,383)

EQUITY IN INCOME OF UNCONSOLIDATED
AFFILIATES — Net of provision for income taxes 3,359

NET LOSS \$ (168,827)

See notes to consolidated financial statements.

RBS SEMBRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010 ON A GOING CONCERN BASIS (UNAUDITED) (Dollars in thousands)

OPERATING ACTIVITIES:

Net loss	\$ (168,827)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	77,076
Deferred taxes	4,611
Gain on investment in marketable securities	(4,695)
Net loss on disposal activities	154,916
Equity in income of unconsolidated affiliates - net of provision for income taxes	(3,359)
Change in operating assets and liabilities, net of disposals:	
Trading assets	(1,687,599)
Commodities owned	178,145
Other assets	45,445
Receivables from affiliates	(356,416)
Trading liabilities	1,667,563
Payable to affiliate	(1,248)
Accounts payable and accrued liabilities	(20,022)
	<hr/>
Net cash used in operating activities	(114,410)

INVESTING ACTIVITIES:

Proceeds from sales of operations	1,939,202
Purchases of property, plant and equipment	(25,523)
Proceeds from sales of investments in marketable securities	22,969
	<hr/>
Net cash provided by investing activities	1,936,648

FINANCING ACTIVITIES:

Distributions paid to members	(1,859,162)
	<hr/>
Net cash used in financing activities	(1,859,162)

NET DECREASE IN CASH AND CASH EQUIVALENTS

(36,924)

CASH AND CASH EQUIVALENTS — Beginning of period

139,276

CASH AND CASH EQUIVALENTS — End of period

\$ 102,352

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid during the period for income taxes

\$ 21,146

See notes to consolidated financial statements.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2010 ON A GOING CONCERN BASIS (UNAUDITED) (Dollars in thousands)

	Comprehensive Income (Loss)	Members' Capital	Accumulated Other Comprehensive Income (Loss)	Total Members' Capital
BALANCE - January 1, 2010		\$ 3,676,574	\$ 42,895	\$ 3,719,469
Net loss	\$ (168,827)	(168,827)		(168,827)
Other comprehensive income (loss) — net of applicable income taxes:				
Change in unrealized gain (loss) on available-for-sale securities	416		416	416
Change in unrealized gain (loss) on cash flow hedging activities	<u>(40,832)</u>		<u>(40,832)</u>	<u>(40,832)</u>
Comprehensive loss	<u>\$ (209,243)</u>			
Distributions paid to Members		<u>(1,859,162)</u>		<u>(1,859,162)</u>
BALANCE - December 31, 2010 ⁽¹⁾		<u>\$ 1,648,585</u>	<u>\$ 2,479</u>	<u>\$ 1,651,064</u>

(1) As of December 31, 2010 total members' capital represents the net assets in liquidation.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2010 (UNAUDITED)**1. NATURE OF OPERATIONS**

On July 9, 2007, Sempra Energy (Sempra) and The Royal Bank of Scotland plc (RBS) (collectively, the Members) entered into a Master Formation and Equity Interest Purchase Agreement to form a partnership, RBS Sempra Commodities LLP (the Partnership or RBSSC), to purchase and operate Sempra's commodity trading and marketing businesses. RBSSC is a partnership formed in the United Kingdom under the Limited Liability Partnership Act 2000.

The Partnership was engaged in physical and financial derivative trading and marketing activities in natural gas, electricity, petroleum, petroleum products, base metals and other commodities with domestic and foreign corporations, financial institutions, multinational organizations, sovereign entities and end users. The Partnership's operations were subject to regulation by the Financial Services Authority, the New York Mercantile Exchange, the Commodity Futures Trading Commission, the Federal Energy Regulatory Commission (FERC), the London Metals Exchange, NYSE Euronext, the Board of Governors of the U.S. Federal Reserve System, and the National Futures Association.

2. DISPOSAL AND LIQUIDATION OF THE PARTNERSHIP

On December 1, 2008, the UK Government through HM Treasury became the ultimate controlling party of the Royal Bank of Scotland Group plc (RBS Group, the ultimate parent company). The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government.

On November 3, 2009, RBS Group reached agreement with the UK Government on key terms of its participation in the Asset Protection Scheme (APS) on revised terms to those announced on February 26, 2009. To comply with the European Commission (EC) State Aid requirements, RBS Group agreed to a series of restructuring measures to be implemented over a four year period. In accordance with the restructuring measures, RBS Group agreed to divest its interest in the Partnership.

On July 1, 2010, the Partnership completed the sale of its Oil, Metals and European Power and Gas businesses to JP Morgan Ventures Energy Corporation (JP Morgan). The total proceeds from the sale were \$1,612 million which included a \$468 million premium over tangible net book value, as determined under International Financial Reporting Standards (IFRS), plus \$737 million of debt with RBS that was subsequently settled.

On November 1, 2010, the Partnership completed the sale of Sempra Energy Solutions business to Noble Group Ltd (Noble). The total proceeds from the sale were \$318 million, which included a \$228 million premium over tangible net book value, as determined under IFRS, plus \$361 million of debt with RBS that was subsequently settled. The total proceeds are subject to a final review of assets and liabilities sold, which may result in an adjustment. Management does not expect this final review to have a material impact on the Partnership's net assets in liquidation.

On December 1, 2010, the Partnership completed the sale of substantially all of the trading assets and liabilities of its North American Power and Gas businesses to JP Morgan. The assets sold include wholesale power and natural gas trading agreements, as well as over-the-counter and exchange-traded transactions. The total proceeds from the sale were approximately \$9 million, which included a \$155 million discount to tangible book value, as determined under IFRS. The total proceeds are subject to a final review of the asset and liabilities sold, which may result in an adjustment. Management does not expect this final review to have a material impact on the Partnership's net assets in liquidation.

The above sales transactions, and the transaction discussed in Note 16 - Subsequent events, represent the sale, or transfer of risk, of substantially all of the operations of the Partnership. In connection with the finalization of these sales, certain disposal costs were recorded in 2010. The disposal costs of \$216 million were recorded as a result of actions taken in conjunction with the completion of the sales of the significant operations of the Partnership.

The gains/(losses) on sales of businesses as reported below differ from the premiums and discount reported on these sales as a result of differences in the tangible net book value calculated under accounting principles generally accepted in the United States of America (GAAP) and IFRS. The Net loss on disposal activities is comprised of the following (in thousands):

Gains/(losses) on sales of businesses:	
Gain on sale of Oil, Metals and European Power and Gas business	\$ 478,147
Gain on sale of Sempra Energy Solutions business	229,711
Loss on sale of North American Power and Gas assets and liabilities	(275,456)
Write-off of goodwill	<u>(371,418)</u>

Gains/(losses) on sales of businesses	60,984
Disposal costs:	
Compensation and benefit costs	110,700
Facility costs	26,200
Impairment of property, plant and equipment	75,400
Other asset impairments	3,600
	<hr/>
Total disposal costs	215,900
	<hr/>
Net loss on disposal activities	<u>\$ (154,916)</u>

Certain assets and liabilities were not immediately transferred from the Partnership to JP Morgan upon completion of the sales of the Oil, Metals, and European Power and Gas businesses and the North American Power and Gas trading assets and liabilities as consent was required to transfer these contracts. These assets and liabilities remain recorded on the Consolidated Financial Statements. However, the Partnership and JP Morgan entered into agreements to transfer the risk and rewards of ownership (Risk transfer agreements) of these assets and liabilities to JP Morgan, until such time as they are settled or are transferred. The credit risk for certain transactions related to the North American Power and Gas business has been retained by the Partnership until those assets and liabilities have been novated to JP Morgan. The transfer of these assets and liabilities is anticipated to be completed by the end of the third quarter of 2011. The assets and liabilities reported in the Consolidated Statement of Net Assets include the impacts of these agreements.

The net assets remaining in the Partnership at December 31, 2010, after removing the assets and liabilities that are subject to the Risk transfer agreements, are as follows (assets are shown at net realizable value and liabilities at estimated settlement amounts)(in thousands):

Cash and cash equivalents	\$ 102,352
Receivables from affiliates	1,957,010
Investments in marketable securities	23,318
Other assets	75,488
Property, plant and equipment	27,461
Accounts payable and accrued liabilities	(545,836)
Payable to affiliate	(2,611)
Net trading assets/(liabilities) ⁽¹⁾	<hr/> 13,882
	<hr/>
Net assets in liquidation	<u>\$ 1,651,064</u>

(1) Amount represents net trading assets and liabilities and Commodities owned, net of the Risk transfer agreements with JP Morgan and inclusive of all netting and collateral posting requirements.

The Partnership does not expect to incur any significant operating costs or receive any significant income on certain residual trading activity throughout the liquidation period. Additionally, the net assets in liquidation include certain residual assets of the Partnership that are actively being disposed. On a regular basis, the Partnership will evaluate the assumptions, judgments and estimates that can have an impact on the reported Net assets in liquidation based on the most recent information available, and where necessary make changes accordingly. Actual costs and income may differ from these estimates, which might increase or decrease net assets available in liquidation to be distributed to the Members. However, these amounts are not expected to be materially different than what has been recorded. The Partnership expects to make distributions to the Members of its remaining cash, to the extent possible, as the residual assets are disposed and the remaining obligations of the Partnership are settled.

The Partnership has agreed, through a transitional services agreement, to operationally support certain business activity that remains on its Consolidated Statement of Net Assets relating to positions whose risk and rewards have been transferred to JP Morgan. The Partnership has accrued for the costs expected to be incurred under the transitional services agreement. See Note 16 - Subsequent events for a discussion of additional liquidation activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The Consolidated Financial Statements are prepared in accordance with GAAP and include the accounts of the Partnership and entities controlled by the Partnership as of December 31, 2010. All material intercompany balances and transactions have been eliminated.

The Consolidated Statement of Operations, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Members' Capital for the years ended December 31, 2010 have all been prepared on the going concern basis of accounting, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Consolidated Statement of Net Assets as of December 31, 2010 was prepared on the liquidation basis of accounting.

The Partnership adopted the liquidation basis of accounting effective December 31, 2010, subsequent to the sale of substantially all of the North American Power and Gas business's trading assets and liabilities, and its December 2010 notifications to employees of the

termination of their employment with the Partnership. The liquidation basis of accounting is considered appropriate, when among other things, liquidation of the company is imminent and the net realizable value of the assets are reasonably determinable. Under this basis of accounting, assets are valued at their net realizable values and liabilities are stated at their estimated settlement amounts. No adjustments were made to the Consolidated Financial Statements upon adoption of the liquidation basis of accounting. Certain assets and liabilities are carried at fair value. In these cases, fair value approximates net realizable value at December 31, 2010.

The Partnership has a controlling financial interest in an entity if it owns a majority of the voting interests of the entity or is considered the primary beneficiary of the entity. A variable interest entity (VIE) is consolidated by its primary beneficiary, which is the party who: holds power over the activities which most significantly impact the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Partnership assesses its involvement with VIEs to determine whether consolidation of VIEs is required. All facts and circumstances are taken into consideration when determining whether the Partnership has variable interests that would deem it the primary beneficiary and, therefore, require consolidation of the related VIE. The Partnership has no VIE's as of December 31, 2010.

Trading Instruments — Trading assets and Trading liabilities are recorded on a trade-date basis. These amounts include unrealized gains and losses from exchange-traded futures and options and over-the-counter (OTC) forwards, swaps, and options. Unrealized gains and losses on OTC derivative transactions reflect amounts which would be received from or paid to a third party upon liquidation of these contracts under current market conditions. Unrealized gains and losses on these OTC derivative transactions are reported separately as assets and liabilities unless a legal right of setoff exists under enforceable master netting agreements. All derivative Trading assets and Trading liabilities are carried at fair value as defined in Note 7 - Fair value of assets and liabilities. Principal transaction revenues are recognized on a trade-date basis and include realized gains and losses and the net change in unrealized gains and losses.

Futures and exchange-traded option transactions are recorded as contractual commitments on a trade-date basis and are carried at fair value. Commodity forward and swap transactions are accounted for as contractual commitments on a trade-date basis and are carried at fair value derived from dealer quotations and underlying commodity exchange quotations. OTC options purchased or written are recorded on a trade-date basis and are carried at fair value.

Fair values for trading instruments not quoted in an active market are determined using appropriate valuation techniques, including discounting future cash flows, option pricing models and other methods that are consistent with accepted economic methodologies for pricing trading instruments. These valuation techniques utilize, among other things, available market information, including current interest rates, commodity prices and volatility rates, as applicable. Where market information is not available or where management deems appropriate, current interest rates, commodity prices and volatility rates are estimated by reference to current market levels. Given the nature, size and timing of transactions, estimated values may differ from realized values.

Cash and Cash Equivalents — Cash and cash equivalents are comprised of cash on hand, demand deposits and other short-term highly liquid investments (with original maturities of three months or less) which are subject to an insignificant risk of changes in value. Cash paid for interest approximates interest expense.

Investments in Marketable Securities — Investments in marketable securities are accounted for on a specific identification basis and are reported at fair value. Unrealized gains and losses on available-for-sale securities are included in Accumulated other comprehensive income (loss) (AOCI), net of applicable taxes. Unrealized gains and losses on trading securities are recorded in income.

Investments in Unconsolidated Affiliates — Investments in affiliated companies are accounted for under the equity method when the Partnership has an ownership interest between 20% and 50% and is deemed to have significant influence but not control. The Partnership's percentage ownership of the affiliates' net assets are included in Other assets, and are adjusted for the Partnership's share of each investee's earnings or losses, dividends and foreign currency translation effects, if any. Equity earnings or losses are recorded net of income tax as a separate caption on the Consolidated Statement of Operations.

Commodities Owned — Commodities owned are recorded on a trade-date basis. Natural gas, oil and other non-base metal physical commodities are carried at net realizable value at December 31, 2010.

Property, Plant and Equipment — Property, plant and equipment is carried at net realizable value at December 31, 2010.

Other Assets — Other assets primarily consist of transactional tax deposits related to goods and services taxes and value added taxes, interest receivables, deposits, expenses paid in advance, certain beneficial contracts and miscellaneous other investments.

Fee Income — Fee income includes fees earned by the Partnership while engaged in certain commodities trading activities, in its capacity as agent for RBS as dictated by various partnership agreements. This includes income derived from realized and unrealized gains and losses, net of associated execution costs, including interest, associated with the trading activities of the Partnership.

Income Taxes — The Partnership is a Limited Liability Partnership, incorporated under the Limited Liability Partnership Act of 2000 of the United Kingdom and the regulations made thereunder. For U.S. purposes RBSSC elected to be treated as a partnership for federal, state and local filings, as permitted. Each member is responsible for reporting its income or loss based on its share of the income and expenses. Certain subsidiaries of the Partnership are subject to tax in foreign jurisdictions where such subsidiary entity may be treated as a corporation under local tax law. The Partnership records a benefit for tax positions in the financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the financial statements. The Partnership reports interest expense and penalties related to income tax matters as a component of income tax expense.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported market value of assets and liabilities at the date and for the reporting period of the financial statements. The most important of the estimates and assumptions relate to fair value and net realizable value measures.

Foreign Currency Transactions — Foreign currency transactions are translated into U.S. dollars at the then current exchange rates during the reporting period. Assets and liabilities denominated in foreign currencies have been converted into U.S. dollars at year-end exchange rates. Gains and losses resulting from foreign currency transactions are included in Principal transactions - net.

Recently Issued Accounting Pronouncements — In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 166 "Accounting for Transfers of Financial Assets - an Amendment of FASB Statement No. 140" (SFAS 166) and SFAS No. 167 "Amendments to FASB Interpretation No. 46(R)" (SFAS 167), which were later codified by Accounting Standards Update (ASU) No. 2009-16 "Accounting for Transfers of Financial Assets" and ASU No. 2009-17 "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" in December 2009. These updates amend the accounting requirements for securitizations and, specifically those utilizing Qualifying Special Purpose Entities (QSPEs). ASU 2009-16 retains the legal isolation criteria for sale accounting but eliminates the QSPE concept, and transfers of participations are now limited to only pro-rata

participations. Under ASU 2009-17, all VIE's, including former QSPEs, need to be considered for consolidation, and an increased number of circumstances will trigger reconsideration of VIE status. The method for determining the Primary Beneficiary of a VIE has been changed from a quantitative model to a qualitative model which focuses on the power to direct the activities of the VIE. ASU 2009-16 and ASU 2009-17 also require enhanced disclosures about transfers of financial assets and interests in variable interest entities. Both statements are effective for reporting periods beginning after November 15, 2009. The adoption of ASU 2009-16 and ASU 2009-17 did not materially impact the Partnership's Consolidated Financial Statements.

4. TRANSACTIONS WITH AFFILIATES

In the normal course of business, the Partnership conducts transactions with affiliated companies.

In accordance with the Master Formation and Equity Interest Purchase Agreement, and provided the required consents were obtained, RBS assumed the rights and obligations of certain contractual arrangements that existed prior to the formation of the Partnership. These included various trading agreements and other material business contracts as defined. To the extent that such contracts had not been novated to RBS, RBS assumed the risk and rewards of ownership of those contracts through the execution of market risk index swaps with certain subsidiary companies of the Partnership. The market risk index swaps effectively transferred the risks and rewards related to market risk, of these contracts, along with the associated income and expenses, to RBS. However all such risks, rewards, income and related expenses are for the Partnership's account.

For novated counterparties, the Partnership acts as agent for RBS and receives fee income from RBS. This fee income represents realized and unrealized gains and losses, net of execution costs associated with these activities.

The performance of certain non-novated counterparties is guaranteed by Sempra. RBS has agreed to indemnify Sempra for any associated claims under Sempra's guarantee.

The majority of the balance in Receivables from affiliates is comprised of funds that the Partnership has on deposit with RBS. These funds are available to the Partnership on demand. The Partnership earned interest income and incurred interest expense with RBS related to the Partnership's balance in this account. The Partnership was also allocated costs from RBS for services provided.

The following table summarizes the Partnership's assets and liabilities as of December 31, 2010 and the Partnership's revenues and expenses for the year ended December 31, 2010 with affiliated companies (in thousands):

Assets:	
Trading assets	\$ 98,971
Receivables from affiliates	1,957,010
Liabilities:	
Trading liabilities	74,003
Payable to affiliate	2,611
Revenues and expenses:	
Fee income	553,670
Principal transactions - net	(4,747)
Interest income	3,393
RBS allocated expenses	6,642

5. TRADING ASSETS AND TRADING LIABILITIES

As of December 31, 2010, Trading assets and Trading liabilities are comprised of the following (in thousands):

Trading assets:	
Unrealized gains on forwards, swaps and options	\$ 1,998,478
Due from trading counterparties	1,163,347
Less effect of netting	(986,454)
	<u>\$ 2,175,371</u>
Trading liabilities:	
Unrealized losses on forwards, swaps and options	\$ 2,086,747
Due to trading counterparties	1,249,130
Less effect of netting	(986,454)
	<u>\$ 2,349,423</u>

Substantially all of the assets and liabilities included in the table above are subject to Risk transfer agreements with JP Morgan but have not been transferred from the Partnership as of December 31, 2010. See Note 2 - Disposal and liquidation of the Partnership and Note 16 - Subsequent events for additional information on the dissolution of the Partnership and events occurring subsequent to December 31, 2010.

6. DERIVATIVES AND HEDGING ACTIVITIES

Effective with the closing of the sale of the North American Power and Gas business's assets and liabilities, the Partnership has ceased substantially all of its trading operations. See Note 2 - Disposal and liquidation of the Partnership and Note 16 - Subsequent events for additional information on the dissolution of the Partnership and events occurring subsequent to December 31, 2010. The Partnership utilizes derivative instruments, including forwards, swaps, options, and futures, to manage its residual exposure to unfavorable changes in market prices.

The Partnership recognizes derivative instruments as either assets or liabilities in the Consolidated Statement of Net Assets and measures those instruments at fair value. The changes in fair value of a majority of the derivative transactions of the Partnership are currently presented, in all material respects, as a component of Principal transactions - net in the Consolidated Statement of Operations. The accounting for changes in the fair value of other derivatives depended on the intended use of the derivative and the resulting designation.

Hedge accounting treatment was applied when certain criteria were met. For a derivative instrument designated as a fair value hedge, the gain or loss was recognized in earnings in the period of change together with the offsetting gain or loss on the hedged item of the risk being hedged. For a derivative being designated as a cash flow hedge, the effective portion of the derivative gain or loss was initially reported as a component of AOCI and subsequently reclassified into earnings when the hedged exposure affected earnings. The ineffective portion (excess derivative gain or loss) was reported in earnings immediately. As of December 31, 2010, all remaining derivative activity is considered to be for trading.

The following table summarizes the Partnership's derivative assets and liabilities, as well as the notional values of its derivative transactions as of December 31, 2010 (in thousands):

	Derivative Assets	Derivative Liabilities
Derivatives accounted for as trading activities - commodity contracts (notional value - \$148,352,189)	\$ 5,585,562	\$ 5,580,124
Counterparty netting ⁽¹⁾	(3,493,376)	(3,493,376)
Collateral netting ⁽²⁾	(477,628)	(508,826)
	<u>\$ 1,614,558</u>	<u>\$ 1,577,922</u>
Fair value included in Trading assets and liabilities		

(1) Represents the netting of counterparty balances pursuant to various contractual agreements.

(2) Represents the netting of cash collateral received and posted on a counterparty basis pursuant to credit support agreements.

Substantially all of the assets and liabilities included in the table above are subject to the Risk transfer agreements. See Note 2 - Disposal and liquidation of the Partnership and Note 16 - Subsequent events for additional information on the dissolution of the Partnership and events occurring subsequent to December 31, 2010.

Derivatives Accounted for as Trading Activities — The Partnership primarily used trading derivative instruments to reduce its exposure to commodity price risk. Gains and losses attributable to trading derivatives are included in Principal transactions - net in the Consolidated Statement of Operations.

The amount below summarizes the gains related to derivative instruments classified as trading for the year ended December 31, 2010 (in thousands):

Commodity contracts	\$ 400,582
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Derivatives Accounted for as Hedges — The Partnership utilized both fair value hedges and cash flow hedges, during the period, to hedge commodity price risk as well as interest rate risk.

Derivatives designated as fair value hedges were used to hedge price risk in commodity inventories as well as interest rate risk. Gains and losses related to fair value hedges are recorded under Principal transactions - net in the Consolidated Statement of Operations. The amounts below summarize the gains and losses related to derivatives designated in fair value hedge relationships for the year ended December 31, 2010 (in thousands):

Commodity contracts	\$ 203,794
Interest rate contracts	(19,908)
	<u>\$ 183,886</u>
Total	

The amounts below summarize the gains and losses related to non-derivative hedged items designated in fair value hedge relationships for the year ended December 31, 2010 (in thousands):

Commodities owned	\$ (145,069)
Finance lease receivable	15,892
	<u>\$ (129,177)</u>
Total	

Ineffectiveness relating to fair value hedges resulted in a positive impact on revenue of approximately \$54.7 million for the year ended December 31, 2010.

Derivatives designated as cash flow hedges were used primarily to hedge the commodity price risk associated with natural gas purchases and sales related to transportation and storage capacity arrangements. The effective portion of cash flow hedges reclassified to income in the current year as well as the ineffectiveness gains and losses on cash flow hedges are recorded in Principal transactions - net in the Consolidated Statement of Operations. The amounts below summarize the gains and losses and the impacts on comprehensive income of cash flow hedging activities for the year ended December 31, 2010 (in thousands):

	Derivatives — Effective Portion Reclassified to Income	Hedge Ineffectiveness Recorded in Income	Derivatives — Effective Portion Recorded in OCI
Commodity contracts	\$ 40,832	\$ 42,331	\$ (487)

7. FAIR VALUE OF ASSETS AND LIABILITIES

As discussed in Note 2 - Disposal and liquidation of the Partnership, the Partnership has transferred the risk of substantially all of its assets and liabilities. In addition, other assets of the Partnership have not been sold and the Partnership is actively engaged in the dissolution and or sale of those assets. The assets and liabilities of the Partnership as of December 31, 2010 are carried at net realizable value, in accordance with the liquidation basis of accounting. The net realizable value approximates the fair value of these assets.

The Partnership applies recurring fair value measurements to certain assets and liabilities that are carried at fair value taking into account the transactions with JP Morgan. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Partnership utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Partnership primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Partnership utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Partnership is able to classify fair value balances based on the observability of those inputs. The fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are defined as follows:

Level 1 — Quoted prices are available in active exchange markets for identical assets or liabilities as of the reporting date. Active exchange markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives and listed equities.

Level 2 — Quoted prices in active and inactive markets are not available, however, pricing inputs are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic data. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-traded derivatives such as forwards, swaps and options and certain exchange traded/cleared derivatives.

Level 3 — Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. At the end of the reporting period, the Partnership performs an analysis of all assets and liabilities at fair value and includes in Level 3 all of those whose fair value is based on significant unobservable inputs. The following table sets forth, by level within the fair value hierarchy, the assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of December 31, 2010 (in thousands)				
Assets	Level 1	Level 2	Level 3	Total ⁽¹⁾
Exchange-traded/cleared derivative instruments	\$ -	\$ 166,087	\$ -	\$ 166,087
OTC derivative trading instruments	-	1,907,725	90,753	1,998,478
Commodities owned	-	187,934	-	187,934
Available-for-sale securities	23,318	-	-	23,318

Total	\$ 23,318	\$ 2,261,746	\$ 90,753	\$ 2,375,817
Liabilities	Level 1	Level 2	Level 3	Total ⁽¹⁾
Exchange-traded/cleared derivative instruments	\$ 72,379	\$ -	\$ -	\$ 72,379
OTC derivative trading instruments	-	1,995,994	90,753	2,086,747
Total	\$ 72,379	\$ 1,995,994	\$ 90,753	\$ 2,159,126
Net	\$ (49,061)	\$ 265,752	\$ -	\$ 216,691

(1) Amounts exclude the effects of netting.

Substantially all of the assets and liabilities included in the table above are subject to the Risk transfer agreements with JP Morgan but have not been transferred from the Partnership as of December 31, 2010. See Note 2 - Disposal and liquidation of the Partnership and Note 16 - Subsequent events for additional information on the dissolution of the Partnership and events occurring subsequent to December 31, 2010.

Exchange-traded/cleared derivative instruments, which are cash settled during the life of the transaction, are classified as part of Trading assets and shown net on the Consolidated Statement of Net Assets.

The determination of the fair values above incorporates various factors including not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), but also the impact of the Partnership's non-performance risk on its liabilities.

Trading derivatives and commodities owned reflect positions held by the Partnership. The fair value of derivative contracts, which include futures and exchange-traded options, is generally based on unadjusted quoted prices in active exchange markets and classified within Level 1. Some exchange-cleared derivatives are valued using broker or dealer quotations, or market transactions in either the listed or OTC markets. In such cases, these exchange-traded/cleared derivatives are classified within Level 2. In addition, certain OTC-cleared forwards, swaps, and options are included in Level 2. OTC derivative trading instruments include forwards, swaps, and options and complex structures that are valued at fair value and may be offset with similar positions in exchange-cleared markets. In certain instances, these instruments may utilize models to measure fair value. Generally, the Partnership uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC derivatives trade in less active markets with a lower availability of pricing information. In addition, complex or structured transactions can introduce the need for internally-developed model inputs that might not be observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3.

The following table sets forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy (in thousands):

Balance as of January 1, 2010	\$ (28,131)
Realized and unrealized gains	6,377
Purchases	3,838
Change related to disposal activities and Risk transfer agreements - See Note 2 - Disposal and liquidation of the Partnership	17,916
Balance as of December 31, 2010	\$ -
Change in unrealized gains (losses) relating to instruments still held as of December 31, 2010	\$ 25,626

Gains and losses (realized and unrealized) for Level 3 items are included primarily in Principal transactions - net.

8. TRADING ACTIVITY AND RISK MANAGEMENT

In connection with the sales transactions and liquidation activities as discussed in Note 2 - Disposal and liquidation of the Partnership, the Partnership ceased substantially all of its trading activity and has transferred substantially all of its market risk. The transfer was effected through the outright sales of its various trading operations and activities, and for operations and activities that were sold and not yet novated, through the execution of Risk transfer agreements with JP Morgan.

Historically, the Partnership derived a substantial portion of its revenue from market-making and trading activities, as an agent for RBS and as principal, in natural gas, electricity, petroleum, petroleum products, base metals and other commodities. It quoted bid and offer prices to other market makers and end users. It also earned trading profits as a dealer by structuring and executing transactions that permitted its counterparties to manage their risk profiles. In addition, it took positions in markets based on the expectation of future market conditions. These positions were offset with similar positions or were offset by positions taken in exchange-traded markets. These positions included

forwards, swaps, options, and futures. These financial instruments represented contracts with counterparties whereby payments were linked to or derived from market indices or on terms predetermined by the contract, which were or were not financially settled by the Partnership.

Forward and future transactions are contracts for delayed delivery of commodity instruments in which the counterparty agrees to make or take delivery at a specified price. Commodity swap transactions may involve the exchange of fixed and floating payment obligations without the exchange of the underlying commodity. For additional information about derivatives and related hedging activities see Note 6 - Derivatives and hedging activities.

Options, which are either exchange-traded or directly negotiated between counterparties, provide the holder with the right to buy from or sell to the writer an agreed amount of commodity at a specified strike price within, or at, a specified period of time. As a writer of options, the Partnership received an option premium then managed the risk of an unfavorable change in the value of the underlying commodity.

Market risk arose from the potential for changes in the value of physical and financial instruments resulting from fluctuations in prices and basis for natural gas, electricity, petroleum, petroleum products, base metals and other commodities. Market risk was also affected by changes in volatility and liquidity in markets in which these instruments were traded. The Partnership had established position and stop-loss limits for each line of business to monitor its market risk. Traders were required to maintain positions within these market risk limits. The position limits were monitored during the day by senior management of the Partnership. Reports which present each trading book's position and the prior day's profit and loss were reviewed daily by traders and the Partnership's senior management.

The Partnership's credit risk from physical and financial instruments as of December 31, 2010 is represented by the positive fair value of financial instruments after consideration of netting and collateral in the form of customer margins and Letters of Credit, and after consideration of Risk transfer agreements entered into during 2010 in connection with the sales transactions discussed in Note 2 - Disposal and liquidation of the Partnership. Credit risk disclosures, however, relate to the net losses that would be recognized if all counterparties failed to completely perform their obligations. Options written, for the sales of puts and calls, expose the Partnership to credit risk until premiums are paid by the counterparty. Exchange-traded futures and options are not deemed to have significant credit exposure as the exchanges guarantee that every contract will be properly settled on a daily basis.

The following table approximates the maximum counterparty credit quality and exposure expressed in terms of net replacement value as determined by rating agencies or by internal models intended to approximate rating agency determinations. These exposures are net of collateral in the form of customer margin and/or letters of credit of \$322 million as of December 31, 2010:

Counterparty credit quality (in thousands):	
AAA	\$ 14,766
AA	151,401
A	531,512
BBB	698,405
Below investment grade	370,371
	<hr/>
	\$ 1,766,455
	<hr/>

The majority of the amounts included in the table above have been sold to JP Morgan but have not been fully transferred from the Partnership as of December 31, 2010. In addition, the Partnership has entered into Risk transfer agreements in conjunction with the various sales that further mitigate credit exposures. The effects of these Risk transfer agreements are not included in the table above. See Note 2 - Disposal and liquidation of the Partnership and Note 16 - Subsequent events for additional information on the dissolution of the Partnership and events occurring subsequent to December 31, 2010.

The Partnership continues to monitor and control its credit risk exposures through various systems and processes, which evaluate the Partnership's credit risk, through credit approvals and limits. To manage the level of credit risk, the Partnership enters into netting agreements whenever possible and, where appropriate, obtains collateral. Netting agreements incorporate rights of set-off that provide for the net settlement of subject contracts with the same counterparties in the event of default.

The Partnership provided letters of credit issued by various banks, in addition to cash, to counterparties to satisfy various collateral and margin deposit requirements (see Note 12 - Borrowings and credit facilities).

9. INVESTMENTS IN MARKETABLE SECURITIES

Available-for-Sale Securities — The Partnership held equity securities of \$23.3 million categorized as available-for-sale securities, included in Investments in marketable securities as of December 31, 2010. As of December 31, 2010, gross unrealized gains were \$4.4 million and gross unrealized losses were \$2.0 million. The fair value of securities in an unrealized loss position at December 31, 2010 was \$10.8 million. The Partnership sold certain Investments in marketable securities in connection with the transaction that closed in 2011. See Note 16 - Subsequent events for further discussion.

10. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

As of December 31, 2010, the Partnership owned 30% of Gateway Energy Services Corporation (Gateway). Gateway is a retail marketer of natural gas and electricity serving residential, commercial, and light industrial customers primarily in the northeast, mid-west, and mid-atlantic regions of the U.S. As of December 31, 2010, the Partnership owned 25% of Great Eastern Energy Co. LLC (GEEC). GEEC supplies natural gas and electricity to commercial and industrial customers within major markets across the United States. The net realizable value of these investments is \$30.3 million as of December 31, 2010, and is included in Other assets.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at net realizable value. These assets consist of leasehold improvements and office equipment, computer equipment (which includes computer hardware and software) and machinery and equipment. Property, plant and equipment by major functional categories as of December 31, 2010 are as follows (in thousands):

	Net Realizable Value
Leasehold improvements and office equipment	4,757
Computer equipment	21,384
Machinery and equipment	1,320
	<hr/>
	\$ 27,461
	<hr/> <hr/>

The Partnership sold the majority of its remaining Computer equipment in 2011. See Note 16 - Subsequent events for further discussion.

12. BORROWINGS AND CREDIT FACILITIES

Certain subsidiaries of the Partnership had a \$1.72 billion five-year committed syndicated revolving credit facility (consisting of borrowings, letters of credit and other credit support accommodations). In June 2010 this facility was closed.

At December 31, 2010, RBS, on behalf of itself and certain subsidiaries of the Partnership, maintained \$1.635 billion in various uncommitted lines of credit. At December 31, 2010, these facilities had outstanding \$709 million of letters of credit and no short-term borrowings. These facilities exclude a line of credit provided by RBS to subsidiaries of the Partnership as well as loans made by RBS to the Partnership (or its subsidiaries) pursuant to its obligation to lend cash and other working capital to the Partnership as necessary.

13. INCOME TAXES

The Partnership is a Limited Liability Partnership, incorporated under the laws of the United Kingdom and for U.S. purposes has elected to be treated as a Partnership for U.S. federal, state and local filings. The income or loss applicable to the operations of the Partnership is includable in the U.S. income tax returns of the Members. Certain subsidiaries of the Partnership are subject to tax in foreign jurisdictions where such subsidiary is treated as a corporation under local tax laws.

The provision for income taxes is summarized below (in thousands):

	For the Year Ended December 31, 2010
Current — foreign	\$ 8,250
Current — state	1,522
Deferred — foreign	4,611
	<hr/>
Total provision for income taxes	\$ 14,383
	<hr/> <hr/>

As of December 31, 2010, the Partnership has no net deferred taxes.

The provision for income taxes varies from the federal income tax rate of 35% primarily because the entity is treated as a partnership for federal and state tax purposes and the income or loss applicable to its operations is included in the income tax returns of the Members.

The total amounts of gross unrecognized tax benefits at the beginning and ending of the year are as follows (in thousands):

Unrecognized tax benefits, as of January 1, 2010	\$ 5,776
Gross increases — tax positions in prior period	595
Gross decreases — tax positions in prior period	(1,946)
Gross increases — current period tax positions	570
	<hr/>
Unrecognized tax benefits, as of December 31, 2010	\$ 4,995
	<hr/> <hr/>

The total unrecognized tax benefits of approximately \$5 million represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods.

As a result of the organization of the Partnership, any tax liability arising from the Partnership's operations prior to the effective date of the joint venture will be borne by Sempra. The Partnership commenced on April 1, 2008. The current and prior years ended December 31, 2010 and 2009 and the prior short period from April 1, 2008 to December 31, 2008 are open under statute for examination for U.S. federal, state and local tax returns. The statute of limitations for other material foreign tax returns remains open for 2005 and forward.

14. EMPLOYEE BENEFIT PLANS

The Partnership's employees participate in various benefit plans, including a defined contribution savings plan (401(k) plan). Included in Compensation and benefits is approximately \$9.7 million of expenses for the year ended December 31, 2010, related to these plans.

15. COMMITMENTS AND CONTINGENCIES

Minimum non-cancelable lease commitments for office facilities, exclusive of real estate taxes and other expenses are as follows (in thousands):

2011	\$ 1,497
2012	1,423
2013	1,447
2014	1,417
2015	1,361
Thereafter	<u>10,823</u>
	<u>\$ 17,968</u>

Office leases, which expire at various dates through 2024, contain provisions for escalation based on certain cost increases incurred by the lessors. Rent expense was \$13.1 million for the year ended December 31, 2010. In connection with the adoption of the liquidation basis of accounting, the Partnership recorded the estimated future liability for certain lease commitments, net of anticipated sub-lease income.

Certain claims, suits and allegations have been filed or are pending against the Partnership. In addition, the Partnership (through certain of its subsidiaries) was a respondent in a number of proceedings initiated at the FERC concerning rates charged for short-term sales of power to the California Independent System Operator Corporation (ISO), the California Power Exchange (PX), and the California Department of Water Resources (CDWR) for power supplied during portions of 2000 and 2001. These matters were settled with respect to the ISO, PX, CDWR, the California investor owned utilities and other purchasers who elected to opt into the settlement, during 2010, with no material impact to the results of operations for 2010. The amounts due as a result of the 2010 settlement were paid during the first quarter of 2011. The Partnership (through certain of its subsidiaries) remains a respondent in a proceeding initiated at the FERC concerning rates charged for short-term sales of power supplied during portions of 2000 and 2001 into the Pacific Northwest market.

The Partnership has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation. The Partnership is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and regulatory agencies regarding the Company's business, including, among other matters, accounting and operational matters. The Partnership contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, the Partnership cannot predict with certainty the loss or range of loss, if any, related to such matters. Subject to the foregoing, the Partnership believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters should not have a material adverse effect on the consolidated financial condition of the Partnership, although the outcome of such matters could be material to the Partnership's net assets available in liquidation.

In connection with the sales activities detailed in Note 2 - Disposal and liquidation of the Partnership, the Partnership made certain customary representations and warranties to JP Morgan and Noble.

16. SUBSEQUENT EVENTS

On January 11, 2011, and in accordance with the restructuring measures that were previously agreed between RBS and the EC, Sempra, RBS and the Partnership entered into an agreement with Societe Generale, whereby Societe Generale purchased certain residual assets and agreed to hire a significant number of employees of the Partnership. These assets include information technology and intellectual property assets, as well as certain Investments in marketable securities. The transaction closed February 3, 2011 for total cash proceeds of \$23.4 million, which equaled the net realizable value of the assets sold at December 31, 2010.

During 2011, the Partnership has continued to novate its assets and liabilities to JP Morgan, as required by the various sales agreements.

The Partnership has evaluated subsequent events for adjustment to or disclosure in its financial statements through March 29, 2011, the date the Consolidated Financial Statements were issued. No recordable or disclosable events, other than the events as disclosed above, occurred through this date.

RBS Sempra Commodities LLP and Subsidiaries

Consolidated Financial Statements as of
December 31, 2009, and for the
Year Ended December 31, 2009, and the
Period From April 1, 2008 (Date of Commencement) to
December 31, 2008, and Report of
Independent Registered Public Accounting Firm

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009, AND
FOR THE YEAR ENDED DECEMBER 31, 2009, AND THE PERIOD FROM
APRIL 1, 2008 (DATE OF COMMENCEMENT) TO DECEMBER 31, 2008:

Consolidated Statement of Financial Condition

Consolidated Statements of Income

Consolidated Statements of Cash Flows

Consolidated Statements of Changes in Members' Capital

Notes to Consolidated Financial Statements



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
RBS Sempra Commodities LLP and Subsidiaries:

We have audited the accompanying consolidated statement of financial condition of RBS Sempra Commodities LLP and subsidiaries (the "Partnership") as of December 31, 2009, and the related consolidated statements of income, cash flows, and changes in members' capital, for the year ended December 31, 2009 and the period from April 1, 2008 (Date of Commencement) to December 31, 2008. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with generally accepted auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of RBS Sempra Commodities LLP and subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year ended December 31, 2009 and the period from April 1, 2008 to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the consolidated financial statements, on February 16, 2010, the Partnership entered into an agreement to sell certain businesses.

/s/ Deloitte & Touche LLP

February 22, 2010

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2009

(Dollars in thousands)

	2009
ASSETS	
Cash and cash equivalents	\$139,276
Trading assets	4,594,647
Commodities owned	1,751,541
Receivables from affiliates — net	299,439
Investments in marketable securities	55,310
Finance lease receivable	193,244
Prepaid and other assets	238,451
Property, plant and equipment — net	149,824
Goodwill	371,418
	<hr/>
Total	<u><u>\$7,793,150</u></u>
LIABILITIES AND MEMBERS' CAPITAL	
LIABILITIES:	
Short-term borrowings	\$ -
Trading liabilities	3,487,647
Accounts payable and accrued liabilities	582,175
Payables to affiliate	3,859
	<hr/>
Total liabilities	4,073,681
MEMBERS' CAPITAL	<hr/>
	3,719,469
	<hr/>
TOTAL	<u><u>\$7,793,150</u></u>

See notes to consolidated financial statements.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2009, AND THE PERIOD FROM
 APRIL 1, 2008 (DATE OF COMMENCEMENT) TO DECEMBER 31, 2008
 (Dollars in thousands)

	2009	2008
REVENUES:		
Fee income	\$999,093	\$1,397,376
Principal transactions — net	1,175,143	639,708
Interest and other income	4,918	13,805
	<hr/>	<hr/>
Total revenues	2,179,154	2,050,889
EXPENSES:		
Compensation and benefits	587,490	613,871
Storage and transportation	605,157	597,317
Facilities and communications	88,257	61,811
Brokerage, execution and clearing	73,325	59,656
Professional fees	40,394	27,612
Interest expense	40,132	23,867
Other expenses	73,014	55,985
	<hr/>	<hr/>
Total expenses	1,507,769	1,440,119
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES AND EQUITY IN INCOME (LOSS) OF UNCONSOLIDATED AFFILIATES — Net of provision for income taxes	671,385	610,770
PROVISION FOR INCOME TAXES	40,124	16,418
EQUITY IN INCOME (LOSS) OF UNCONSOLIDATED AFFILIATES — Net of provision for income taxes	8,059	(2,549)
	<hr/>	<hr/>
NET INCOME	<u>\$639,320</u>	<u>\$591,803</u>

See notes to consolidated financial statements.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2009, AND THE PERIOD FROM
 APRIL 1, 2008 (DATE OF COMMENCEMENT) TO DECEMBER 31, 2008
 (Dollars in thousands)

	2009	2008
OPERATING ACTIVITIES:		
Net income	\$639,320	\$591,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91,980	63,652
Deferred taxes	(1,663)	3,101
Loss on investment in marketable securities	44,306	-
Loss on investment in unconsolidated affiliate	12,535	-
Equity in (income) loss of unconsolidated affiliates — net of provision for income taxes	(8,059)	2,549
Net change in:		
Trading assets	1,282,912	50,251
Commodities owned	(588,982)	459,139
Trading securities	10	15,931
Prepaid and other assets	45,773	(190,696)
Receivables from affiliates — net	625,276	(933,723)
Commodities sold under agreements to repurchase	-	(502,136)
Trading liabilities	(1,033,502)	317,389
Payables to affiliate	2,426	1,433
Accounts payable and accrued liabilities	(153,943)	259,559
Net cash provided by operating activities	958,389	138,252
INVESTING ACTIVITIES:		
Purchases of investments in available-for-sale securities	-	(3,348)
Distribution from investment in unconsolidated affiliates	1,650	-
Purchases of property, plant and equipment	(41,267)	(56,967)
Acquisition of subsidiaries — net of cash acquired	-	(2,372,273)
Proceeds from (increase in) finance lease receivable	9,095	(173,145)
Purchase of other investments	-	(15,000)
Net cash used in investing activities	(30,522)	(2,620,733)
FINANCING ACTIVITIES:		
Net decrease in short-term borrowings	(320,236)	(431,325)
Members' capital contributions	-	3,265,000
Distributions paid to members	(658,537)	(161,012)
Net cash (used in) provided by financing activities	(978,773)	2,672,663
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(50,906)	190,182
CASH AND CASH EQUIVALENTS — Beginning of period	190,182	-
CASH AND CASH EQUIVALENTS — End of period	\$139,276	\$190,182
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid during the period for income taxes		
	\$37,413	\$47,563

See notes to consolidated financial statements.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2009, AND THE PERIOD FROM
 APRIL 1, 2008 (DATE OF COMMENCEMENT) TO DECEMBER 31, 2008
 (Dollars in thousands)

	Comprehensive Income (Loss)	Members' Capital	Accumulated Other Comprehensive Income (Loss)	Total Members' Capital
BALANCE — April 1, 2008		\$ -	\$ -	\$ -
Members' capital contributions		3,265,000	-	3,265,000
Net income	\$591,803	591,803	-	591,803
Other comprehensive income (loss) — net of applicable income taxes:				
Change in unrealized loss on available-for-sale securities	(43,765)	-	(43,765)	(43,765)
Change in unrealized loss on cash flow hedging activities	(3,216)	-	(3,216)	(3,216)
Comprehensive income	<u>\$544,822</u>			
Distributions paid to Members		(161,012)	-	(161,012)
BALANCE — December 31, 2008		3,695,791	(46,981)	3,648,810
Net income	\$639,320	639,320	-	639,320
Other comprehensive income (loss) — net of applicable income taxes:				
Change in unrealized gain (loss) on available-for-sale securities	45,828	-	45,828	45,828
Change in unrealized gain (loss) on cash flow hedging activities	44,048	-	44,048	44,048
Comprehensive income	<u>\$729,196</u>			
Distributions paid to Members		(658,537)	-	(658,537)
BALANCE — December 31, 2009		<u>\$3,676,574</u>	<u>\$42,895</u>	<u>\$3,719,469</u>

See notes to consolidated financial statements.

RBS SEMPRA COMMODITIES LLP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2009, AND FOR THE YEAR ENDED DECEMBER 31, 2009, AND
THE PERIOD FROM APRIL 1, 2008 (DATE OF COMMENCEMENT) TO DECEMBER 31, 2008

1. NATURE OF OPERATIONS

The Partnership engages in physical and financial derivative trading and marketing activities in natural gas, electricity, petroleum, petroleum products, base metals and other commodities with domestic and foreign corporations, financial institutions, multinational organizations, sovereign entities and end users. The Partnership's operations are subject to regulation by the Financial Services Authority, the New York Mercantile Exchange, the Commodity Futures Trading Commission, the Federal Energy Regulatory Commission (FERC), the London Metals Exchange, NYSE Euronext, the Board of Governors of the U.S. Federal Reserve System, and the National Futures Association.

2. FORMATION AND ORGANIZATION OF THE PARTNERSHIP

On July 9, 2007, Sempra Energy (Sempra) and The Royal Bank of Scotland plc (RBS) (collectively, the Members) entered into a Master Formation and Equity Interest Purchase Agreement to form a partnership, RBS Sempra Commodities LLP (the Partnership or RBSSC), to purchase and operate Sempra's commodity trading and marketing businesses. RBSSC is a partnership formed in the United Kingdom under the Limited Liability Partnership Act 2000. On April 1, 2008, Sempra and RBS made initial capital investments of \$1,600 million and \$1,665 million respectively. The Partnership simultaneously purchased Sempra's commodity trading and marketing subsidiaries (collectively, the Sempra Energy Trading Companies or SET Companies) at a price of \$2,754 million. The formation of the Partnership and the purchase of the SET Companies was effected on April 1, 2008 (Closing Date or Date of Commencement), although the partnership was legally formed on August 31, 2007.

The cost of the acquisition of \$2,754 million was allocated to the assets acquired and liabilities assumed based on their respective fair values. The fair value of net assets acquired was \$2,383 million and the excess purchase price of \$371 million was allocated as goodwill arising on the acquisition of the SET Companies.

The formation and operation of the Partnership is subject to various agreements between the Members including primarily the Master Formation and Equity Interest Purchase Agreement, the Limited Liability Partnership Agreement and the Commodities Trading Activities Master Agreement. These agreements include provisions which dictate, among other matters, the rights and responsibilities of the Members, capital contributions by the Members, the formation and termination of the Partnership, the profit distributions to the Members, the execution of commodities trading activities by the joint venture, and the governance of the Partnership. The Partnership will make profit distributions, as and when the Board determines, in accordance with the Limited Liability Partnership Agreement.

The Partnership is governed by a board of seven directors, three appointed by Sempra and four by RBS, acting on behalf of the designated members. The consent of Sempra will be required before the Partnership may take certain significant actions, including materially changing the scope of the Partnership's businesses, providing credit support outside the ordinary course, incurring certain types of indebtedness and entering into agreements of significant size or duration, all as more fully specified in the Limited Liability Partnership Agreement. The Partnership is fully consolidated by RBS.

On December 1, 2008, the UK Government through HM Treasury became the ultimate controlling party of the Royal Bank of Scotland Group plc (RBS Group, the ultimate parent company). The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government.

On November 3, 2009, RBS Group reached agreement with the UK Government on key terms of its participation in the Asset Protection Scheme (APS) on revised terms to those announced on February 26, 2009. To comply with the European Commission (EC) State Aid requirements, RBS Group has agreed to a series of restructuring measures to be implemented over a four year period. In accordance with the restructuring measures, RBS Group agreed to divest its interest in the Partnership (see Note 17 – Subsequent Events).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of the Partnership and entities controlled by the Partnership as of December 31, 2009. All material intercompany balances and transactions have been eliminated.

The Partnership has a controlling financial interest in an entity if it owns a majority of the voting interests of the entity or is considered the primary beneficiary of the entity. A variable interest entity (VIE) is consolidated by its primary beneficiary, who is the party subject to the majority of the expected losses or the majority of the expected residual returns of the VIE, or both. The Partnership assesses its involvement with VIEs to determine whether consolidation of VIEs is required. All facts and circumstances are taken into consideration when determining whether the Partnership has variable interests that would deem it the primary beneficiary and, therefore, require consolidation of the related VIE.

Trading Instruments — Trading assets and Trading liabilities are recorded on a trade-date basis. These amounts include unrealized gains and losses from exchange-traded futures and options and over-the-counter (OTC) forwards, swaps, and options. Unrealized gains and losses on OTC derivative transactions reflect amounts which would be received from or paid to a third party upon liquidation of these

contracts under current market conditions. Unrealized gains and losses on these OTC derivative transactions are reported separately as assets and liabilities unless a legal right of setoff exists under enforceable master netting agreements. All derivative Trading assets and Trading liabilities are carried at fair value. Principal transaction revenues are recognized on a trade-date basis and include realized gains and losses and the net change in unrealized gains and losses.

Futures and exchange-traded option transactions are recorded as contractual commitments on a trade-date basis and are carried at fair value. Commodity forward and swap transactions are accounted for as contractual commitments on a trade-date basis and are carried at fair value derived from dealer quotations and underlying commodity exchange quotations. OTC options purchased or written are recorded on a trade-date basis and are carried at fair value.

Fair values for trading instruments not quoted in an active market are determined using appropriate valuation techniques, including discounting future cash flows, option pricing models and other methods that are consistent with accepted economic methodologies for pricing trading instruments. These valuation techniques utilize, among other things, available market information, including current interest rates, commodity prices and volatility rates, as applicable. Where market information is not available or where management deems appropriate, current interest rates, commodity prices and volatility rates are estimated by reference to current market levels. Given the nature, size and timing of transactions, estimated values may differ from realized values.

Cash and Cash Equivalents — Cash and cash equivalents are comprised of cash on hand, demand deposits and other short-term highly liquid investments (with original maturities of three months or less) which are subject to an insignificant risk of changes in value. Cash paid for interest approximates interest expense.

Investments in Marketable Securities — Investments in marketable securities are accounted for on a specific identification basis and are reported at fair value, including reviews for impairment. Unrealized gains and losses on available-for-sale securities are included in Accumulated Other Comprehensive Income (Loss) (AOCI), net of applicable taxes. Unrealized gains and losses on trading securities are recorded in income. The Partnership reviews securities identified with an unrealized loss to determine if the impairment in value is temporary or other-than-temporary. The amount of any impairment loss that is recognized in current period earnings is dependent on the Partnership's intent to sell (or not sell) the security.

Investments in Unconsolidated Affiliates — Investments in affiliated companies are accounted for under the equity method when the Partnership has an ownership interest between 20% and 50% and is deemed to have significant influence but not control. The Partnership's percentage ownership of the affiliates' net assets are included in Prepaid and other assets, and are adjusted for the Partnership's share of each investee's earnings or losses, dividends and foreign currency translation effects, if any. Equity earnings or losses are recorded net of income tax as a separate caption on the Consolidated statements of income.

Commodities Owned — Commodities owned are recorded on a trade-date basis. Natural gas, oil and other non-base metal physical commodities are carried on a lower-of-cost-or-market basis. When a specific contract cost of new inventory cannot be determined, the Partnership uses the appropriate market index at the time of purchase as the cost basis.

Property, Plant and Equipment — Property, plant and equipment is carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line basis over the estimated useful life of the asset, generally three to five years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvements or the remaining term of the lease. On a regular basis the Partnership assesses whether there is any indication that property, plant and equipment is impaired.

Goodwill — Goodwill is the excess of the cost of an acquisition over the Partnership's interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition and is recognized at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes indicate that it might be impaired. The Partnership completed its annual goodwill impairment testing, as of September 30, 2009 and 2008, which did not result in any goodwill impairment.

Prepaid and Other Assets — Prepaid and other assets primarily consist of transactional tax deposits related to goods and services taxes and value added taxes, net deferred tax assets, interest receivables, deposits, expenses paid in advance, certain beneficial contracts and miscellaneous other investments. Beneficial contracts are amortized over their estimated useful lives.

Fee Income — Fee income includes fees earned by the Partnership while engaged in certain commodities trading activities, in its capacity as agent for RBS as dictated by various partnership agreements. This includes income derived from realized and unrealized gains and losses, net of associated execution costs, including interest, associated with the trading activities of the Partnership.

Income Taxes — The Partnership is a Limited Liability Partnership, incorporated under the Limited Liability Partnership Act of 2000 of the United Kingdom and the regulations made thereunder. For U.S. purposes RBSSC elected to be treated as a partnership for federal, state and local filings, as permitted. Each member is responsible for reporting its income or loss based on its share of the income and expenses. Certain subsidiaries of the Partnership are subject to tax in foreign jurisdictions where such subsidiary entity may be treated as a corporation under local tax law. The Partnership records the financial statement effects for the amount of income tax positions for which it is more likely than not that a tax position will not be sustained upon examination by the respective taxing authority.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported market value of assets and liabilities at the date and reporting period of the financial statements. The most important of the estimates and assumptions relate to fair value measures and the accounting for goodwill. The recorded values of these assets and liabilities may be more or less than values that might be realized, if the Partnership were to sell or close out the positions prior to maturity.

Foreign Currency Transactions — Foreign currency transactions are translated into U.S. dollars at the then current exchange rates during the reporting period. Assets and liabilities denominated in foreign currencies have been converted into U.S. dollars at year-end exchange rates. Gains and losses resulting from foreign currency transactions are included in Principal transactions — net.

Recently Issued Accounting Pronouncements — On September 15, 2009, the Financial Accounting Standards Board (FASB) enacted Statement of Financial Accounting Standards (SFAS) No. 168 (SFAS 168), “The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles”. This statement establishes the FASB Accounting Standards CodificationTM (the Codification) as the single source of authoritative GAAP in the United States. The topically-organized codification is not intended to change GAAP but it significantly changes the way that GAAP is presented and referenced in financial statements.

SFAS 168 also changes the way in which new authoritative GAAP is issued. The Financial Accounting Statements, FASB Interpretations, and Emerging Issues Task Force (EITF) abstracts were replaced by Accounting Standard Updates (ASU), which provide updates to the Codification, background information on about the new guidance and the basis for conclusions. New pronouncements issued before July 1, 2009 are referred to by their original title.

In March 2008, the FASB issued SFAS No. 161 “Disclosures about Derivative Instruments and Hedging Activities — an Amendment of FASB Statement No. 133” (SFAS 161). SFAS 161 expands the disclosure requirements about an entities derivative instruments and hedging activities. The additional disclosures required by this Standard are included in Note 6 – Derivatives and Hedging Activities.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS No. 115-2 and FAS No. 124-2 “Recognition and Presentation of Other-Than-Temporary Impairments” (FSP FAS No. 115-2 and FAS No. 124-2) which change the method for determining whether an other-than-temporary impairment (OTTI) exists for debt securities and the amount of OTTI charges recorded in earnings. If an entity intends to sell a security and it is more-likely-than-not that the entity will sell the security prior to recovering its cost basis, an OTTI exists and the entire difference between the fair value and the cost basis will be reflected in earnings. If an entity does not intend to sell a security and it is more-likely-than-not that the entity will sell the security prior to recovering its cost basis, the portion of the difference between the fair value and the cost basis related to credit losses will be treated as an OTTI and reflected in earnings. The remaining difference will be recognized as part of other comprehensive income. In addition to the new OTTI determination method, entities are required to provide enhanced disclosures, including methodology details and key inputs used for determining the amount of credit losses recorded in earnings. FSP FAS No. 115-2 and FAS No. 124-2 were effective upon issuance and incorporated in the initial release of the Codification under the topic on Investments in Debt and Equity Securities. The adoption of FSP FAS No. 115-2 and FAS No. 124-2 did not materially affect the Partnership’s consolidated financial statements.

In April 2009, the FASB issued FSP FAS No. 157-4 “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (FSP FAS No. 157-4) which provides additional guidance to determine the fair value of a financial instrument in an inactive market. If the market for a financial instrument is inactive and it is determined that one or more quoted prices are associated with one or more distressed transactions, the reporting entity may use valuation methods other than one that uses quoted prices without significant adjustment. Otherwise, the quoted price is viewed as a valid quote and should be used as a relevant input to the fair value. FSP FAS No. 157-4 was effective upon issuance. The adoption of FSP FAS No. 157-4 did not materially impact the Partnership’s consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165 “Subsequent Events” (SFAS 165) which establishes standards to account for and disclose events that occur after balance sheet date but before the financial statements are issued. The statement specifies that an entity must disclose all subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including any estimates that were inherent in the process of preparing the financial statements. The statement also specifies that an entity must disclose the date through which subsequent events were evaluated. This statement was effective upon issuance. The adoption of SFAS 165 did not materially impact the Partnership’s consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166 “Accounting for Transfers of Financial Assets — an Amendment of FASB Statement No. 140” (SFAS 166) and SFAS No. 167 “Amendments to FASB Interpretation No. 46(R)” (SFAS 167) that amend the accounting requirements for securitizations and, specifically those utilizing Qualifying Special Purpose Entities (QSPEs). SFAS 166 retains the legal isolation criteria for sale accounting but eliminates the QSPE concept, and transfers of participations are now limited to only pro-rata participations. Under SFAS 167 amendments, all variable interest entities (VIEs), including former QSPEs, need to be considered for consolidation, and an increased number of circumstances will trigger reconsideration of VIE status. The method for determining the Primary Beneficiary of a VIE has been changed from a quantitative model to a qualitative model which focuses on the power to direct the activities of the VIE. SFAS 166 and SFAS 167 also require enhanced disclosures about transfers of financial assets and interests in variable interest entities. Both statements are effective for reporting periods beginning after November 15, 2009. The Partnership does not expect the adoption of these standards to have a material impact on the Partnership’s consolidated financial statements.

4. TRANSACTIONS WITH AFFILIATES

In the normal course of business the Partnership conducts transactions with affiliated companies.

In accordance with the Master Formation and Equity Interest Purchase Agreement, and provided the required consents were obtained, RBS has assumed, and the SET Companies have novated to RBS, the rights and obligations of certain contractual arrangements of the SET Companies that existed prior to the formation of the Partnership. This included various trading agreements and other material business contracts as defined. To the extent that such contracts have not been novated to RBS, RBS assumed the risk and rewards of ownership of those contracts through the execution of market risk index swaps with certain subsidiary companies of the Partnership. The market risk index swaps effectively transfer the risks and rewards, related to market risk, of the contracts, along with the associated income and expenses, from certain SET Companies to RBS. However, all such risks, rewards, income and related expenses are for the Partnership’s account.

For novated counterparties the Partnership acts as agent for RBS and receives fee income from RBS. This fee income represents realized and unrealized gains and losses, net of execution costs associated with these activities.

The performance of certain non-novated counterparts is guaranteed by Sempra. RBS has agreed to indemnify Sempra for any associated claims under Sempra’s guarantee.

The Partnership earned interest income and incurred interest expenses with RBS related to the Partnership's operating and investing activities. The Partnership was also allocated costs from RBS related to compensation and benefits for services provided.

The following table summarizes the Partnership's assets and liabilities as of December 31, 2009 and the Partnership's revenues and expenses for the year ended December 31, 2009 and for the period from April 1, 2008 (date of commencement) to December 31, 2008 with affiliated companies (in thousands):

	2009	2008
Assets:		
Trading assets	\$156,748	
Receivables from affiliates — net	299,439	
Liabilities:		
Trading liabilities	383,116	
Payables to affiliate	3,859	
Revenues and expenses:		
Fee income	999,093	\$1,397,376
Principal transactions — net	(103)	(2,477)
Interest income	266	5,783
Interest expense	1,692	13,895
RBS allocated expenses	4,896	2,443

5. TRADING ASSETS AND TRADING LIABILITIES

As of December 31, 2009, Trading assets and Trading liabilities are comprised of the following (in thousands):

	2009
Trading assets:	
Unrealized gains on forwards, swaps and options	\$2,578,446
Due from commodity clearing brokers	657,503
Due from trading counterparties	2,012,649
Less effect of netting	(653,951)
	<u>\$4,594,647</u>
Trading liabilities:	
Unrealized losses on forwards, swaps and options	\$2,298,474
Due to trading counterparties	1,843,124
Less effect of netting	(653,951)
	<u>\$3,487,647</u>

6. DERIVATIVES AND HEDGING ACTIVITIES

The Partnership utilizes derivative instruments, which include forwards, swaps, options, and futures to reduce its exposure to unfavorable changes in market prices.

The Partnership recognizes derivative instruments as either assets or liabilities in the Consolidated statement of financial condition and measures those instruments at fair value. The changes in fair value of a majority of the derivative transactions of the Partnership are currently presented, in all material respects, as a component of Principal transactions — net in the Consolidated statements of income. The accounting for changes in the fair value of other derivatives depends on the intended use of the derivative and the resulting designation.

Hedge accounting treatment can be applied when certain criteria are met. For a derivative instrument designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting gain or loss on the hedged item of the risk being hedged. For a derivative being designated as a cash flow hedge, the effective portion of the derivative gain or loss is initially reported as a component of AOCI and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion (excess derivative gain or loss) is reported in earnings immediately.

The following table summarizes the fair values of the Partnership's derivative assets and liabilities, as well as the notional values of its derivative transactions as of December 31, 2009 (in thousands).

	Derivative Assets	Derivative Liabilities	Notional Value
Derivatives accounted for as trading activities — commodity contracts	\$6,820,619	\$5,211,601	\$270,122,254
Derivatives accounted for as hedges:			
Commodity contracts	93,377	297,817	2,012,324
Interest rate contracts	3,762	11,999	910,586
	<u>97,139</u>	<u>309,816</u>	<u>2,922,910</u>
Total derivative contracts accounted for	97,139	309,816	2,922,910

as hedges

Gross fair value of derivative contracts	6,917,758	5,521,417	<u>\$273,045,164</u>
Counterparty Netting (1)	(3,160,980)	(3,160,980)	
Collateral netting (2)	<u>(387,896)</u>	<u>(266,055)</u>	
Fair value included in Trading assets and liabilities	<u>\$3,368,882</u>	<u>\$2,094,382</u>	

(1) Represents the netting of counterparty balances pursuant to various contractual agreements.

(2) Represents the netting of cash collateral received and posted on a counterparty basis pursuant to credit support agreements.

Derivatives Accounted for as Trading Activities — The Partnership primarily uses trading derivative instruments to reduce its exposure to commodity price risk. Gains and losses attributable to trading derivatives are included in Principal transactions — net in the Consolidated statements of income. The amount below summarizes the gains related to derivative instruments classified as trading for the year ended December 31, 2009 (in thousands).

Commodity contracts	\$838,237
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Derivatives Accounted for as Hedges — The Partnership utilizes both fair value hedges and cash flow hedges to hedge commodity price risk as well as interest rate risk.

Derivatives designated as fair value hedges are used to hedge price risk in commodity inventories as well as interest rate risk. Gains and losses related to fair value hedges are recorded under Principal transactions — net in the Consolidated statements of income. The amounts below summarize the gains and losses related to derivatives designated in fair value hedge relationships for year ended December 31, 2009 (in thousands).

Commodity contracts	\$(529,033)
Interest rate contracts	<u>7,095</u>
Total	<u>\$(521,938)</u>

The amounts below summarize the gains and losses related to non-derivative hedged items designated in fair value hedge relationships for year ended December 31, 2009 (in thousands).

Commodities owned	\$908,482
Finance lease receivable	<u>(6,140)</u>
Total	<u>\$902,342</u>

Ineffectiveness relating to fair value hedges resulted in a positive impact on revenue of approximately \$380 million and \$5 million for the year ended December 31, 2009 and for the period from April 1, 2008 to December 31, 2008, respectively.

Derivatives designated as cash flow hedges are used primarily to hedge the commodity price risk associated with natural gas purchases and sales related to transportation and storage capacity arrangements. The effective portion of cash flow hedges reclassified to income in the current year as well as the ineffectiveness gains and losses on cash flow hedges are recorded in Principal transactions — net in the Consolidated statements of income. The amounts below summarize the gains and losses and the impacts on comprehensive income of cash flow hedging activities for year ended December 31, 2009 (in thousands).

	Derivatives — Effective Portion Reclassified to Income	Hedge Ineffectiveness Recorded in Income	Derivatives — Effective Portion Recorded in OCI
Commodity contracts	\$15,098	\$3,405	\$(44,095)

A net derivative unrealized gain/(loss) of approximately \$41 million and \$(3) million is included in AOCI for 2009 and 2008, respectively. The ineffective portion of cash flow hedges resulted in a positive impact on revenue of approximately \$3 million and \$13 million for the year ended December 31, 2009 and the period from April 1, 2008 to December 31, 2008, respectively. Derivative unrealized gains included in AOCI expected to affect earnings in 2010 are approximately \$50 million. Due to volatility and uncertainty in the commodity markets, the corresponding value in AOCI will likely change prior to its reclassification to earnings. As of December 31, 2009, the maximum tenor of derivative instruments that hedge forecasted purchase and sales transactions is 6 years.

7. FAIR VALUE OF ASSETS AND LIABILITIES

The Partnership applies recurring fair value measurements to certain assets and liabilities that are carried at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Partnership utilizes market data or assumptions that market participants would use

in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Partnership primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Partnership utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Partnership is able to classify fair value balances based on the observability of those inputs. The fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are defined as follows:

Level 1 — Quoted prices are available in active exchange markets for identical assets or liabilities as of the reporting date. Active exchange markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives and listed equities.

Level 2 — Quoted prices in active and inactive markets are not available, however, pricing inputs are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic data. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-traded derivatives such as forwards, swaps and options and certain exchange traded/cleared derivatives.

Level 3 — Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. At each balance sheet date, the Partnership performs an analysis of all assets and liabilities at fair value and includes in Level 3 all of those whose fair value is based on significant unobservable inputs.

The following table sets forth by level within the fair value hierarchy the assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2009. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of December 31, 2009 (in thousands)				
Assets	Level 1	Level 2	Level 3	Total (1)
Exchange-traded/cleared derivative instruments	\$676,215	\$502,118	\$ -	\$1,178,333
OTC derivative trading instruments	-	2,483,475	94,971	2,578,446
Commodities owned	-	1,741,097	-	1,741,097
Available-for-sale securities	45,504	2,229	7,357	55,090
Trading securities	220	-	-	220
Total	\$721,939	\$4,728,919	\$102,328	\$5,553,186
Liabilities	Level 1	Level 2	Level 3	Total (1)
Exchange-traded/cleared derivative instruments	\$49,798	\$12,165	\$ -	\$61,963
OTC derivative trading instruments	-	2,168,015	130,459	2,298,474
Total	\$49,798	\$2,180,180	\$130,459	\$2,360,437

(1) Amounts exclude the effects of netting

Exchange-traded/cleared derivative instruments, which are cash settled during the life of the transaction, are classified as part of Trading assets and shown net on the Consolidated statement of financial condition. The table above does not include certain commodities owned that are carried on a lower-of-cost-or-market basis. The table does include a portion of commodities owned for which fair value hedge accounting is applied.

As of December 31, 2009 (in thousands)	
Commodities owned:	
Per consolidated statements of financial condition	\$1,751,541
Less amounts recorded at lower-of-cost-or-market	10,444
Per recurring fair value measures table	<u>\$1,741,097</u>

The determination of the fair values above incorporates various factors including not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), but also the impact of the Partnership's non-performance risk on its liabilities.

Trading derivatives and commodities owned reflect positions held by the Partnership. The fair value of derivative contracts, which include futures and exchange-traded options, is generally based on unadjusted quoted prices in active exchange markets and are classified within Level 1. Some exchange-cleared derivatives are valued using broker or dealer quotations, or market transactions in either the listed or OTC markets. In such cases, these exchange-traded/cleared derivatives are classified within Level 2. In addition, certain OTC-cleared forwards, swaps, and options are included in Level 2. OTC derivative trading instruments include forwards, swaps, and options and complex structures that are valued at fair value and may be offset with similar positions in exchange-cleared markets. In certain instances, these instruments may utilize models to measure fair value. Generally, the Partnership uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means.) Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain OTC derivatives trade in less active markets with a lower availability of pricing information. In addition, complex or structured transactions can introduce the need for internally-developed model inputs that might not be observable in or corroborated by the market. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3.

The following table sets forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy (in thousands):

Balance as of April 1, 2008	\$436,164
Realized and unrealized gains (losses)	(462,896)
Purchases, settlements, sales and issuances	20,154
Transfers in and/or out of Level 3	<u>10,972</u>
Balance as of December 31, 2008	4,394
Realized and unrealized gains (losses)	(194,473)
Purchases, settlements, sales and issuances	8,824
Transfers in and/or out of Level 3	<u>153,124</u>
Balance as of December 31, 2009	<u><u>\$(28,131)</u></u>
Change in unrealized gains (losses) relating to instruments still held as of December 31, 2009	<u><u>\$(126,398)</u></u>

Gains and losses (realized and unrealized) for Level 3 items are included primarily in Principal transactions — net.

Transfers in and/or out of Level 3 represent existing assets or liabilities that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as Level 3 for which the lowest significant input became observable during the period.

Given the nature, size, timing and tenor of certain complex transactions, changing one or more of the less observable inputs within the valuation model, may materially change the values used by management.

8. TRADING ACTIVITY AND RISK MANAGEMENT

The Partnership derives a substantial portion of its revenue from market-making and trading activities, as an agent for RBS and as principal, in natural gas, electricity, petroleum, petroleum products, base metals and other commodities. It quotes bid and offer prices to other market makers and end users. It also earns trading profits as a dealer by structuring and executing transactions that permit its counterparts to manage their risk profiles. In addition, it takes positions in markets based on the expectation of future market conditions. These positions may be offset with similar positions or may be offset by positions taken in exchange-traded markets. These positions include forwards, swaps, options, and futures. These financial instruments represent contracts with counterparts whereby payments are linked to or derived from market indices or on terms predetermined by the contract, which may or may not be financially settled by the Partnership.

Forward and future transactions are contracts for delayed delivery of commodity instruments in which the counterparty agrees to make or take delivery at a specified price. Commodity swap transactions may involve the exchange of fixed and floating payment obligations without the exchange of the underlying commodity. For additional information about derivatives and related hedging activities see Note 6 — Derivatives and Hedging Activities.

Options, which are either exchange-traded or directly negotiated between counterparties, provide the holder with the right to buy from or sell to the writer an agreed amount of commodity at a specified strike price within, or at, a specified period of time. As a writer of options, the Partnership receives an option premium then manages the risk of an unfavorable change in the value of the underlying commodity.

Market risk arises from the potential for changes in the value of physical and financial instruments resulting from fluctuations in prices and basis for natural gas, electricity, petroleum, petroleum products, base metals and other commodities. Market risk is also affected by changes in volatility and liquidity in markets in which these instruments are traded. The Partnership has established position and stop-loss limits for each line of business to monitor its market risk. Traders are required to maintain positions within these market risk limits. The position limits are monitored during the day by senior management of the Partnership. Reports which present each trading book's position and the prior day's profit and loss are reviewed daily by traders and the Partnership's senior management.

The Partnership also uses Value-at-Risk (VaR) to measure its exposure to market risk. VaR is an estimate of the potential loss on a position or portfolio of positions over a specified holding period, based on normal market conditions and within a given statistical confidence

interval. The Partnership has adopted the historical simulation methodology in its calculation of VaR, and uses a 95-percent confidence interval. Holding periods are specific to the types of positions being measured, and are determined based on the size of the position or portfolios, market liquidity, tenor and other factors. Historical volatilities are used in the calculation. Based upon these and other risk management procedures, the Partnership's senior management determines whether to adjust the Partnership's market risk profile.

The Partnership's credit risk from physical and financial instruments as of December 31, 2009 is represented by the positive fair value of financial instruments after consideration of netting and collateral in the form of customer margins and Letters of Credit. Credit risk disclosures, however, relate to the net losses that would be recognized if all counterparties failed to completely perform their obligations. Options written expose the Partnership to credit risk until premiums are paid by the counterparty. Exchange-traded futures and options are not deemed to have significant credit exposure as the exchanges guarantee that every contract will be properly settled on a daily basis.

The following table approximates the counterparty credit quality and exposure expressed in terms of net replacement value as determined by rating agencies or by internal models intended to approximate rating agency determinations. These exposures are net of collateral in the form of customer margin and/or letters of credit of \$554 million as of December 31, 2009:

	2009
Counterparty credit quality (in thousands):	
AAA	\$20,454
AA	174,389
A	734,819
BBB	605,580
Below investment grade	826,296
Exchanges	657,503
	<u>\$3,019,041</u>

The Partnership monitors and controls its credit risk exposures through various systems and processes, which evaluate the Partnership's credit risk through credit approvals and limits. To manage the level of credit risk the Partnership enters into netting agreements whenever possible and, where appropriate, obtains collateral. Netting agreements incorporate rights of setoff that provide for the net settlement of subject contracts with the same counterparty in the event of default.

The Partnership provides committed and uncommitted letters of credit issued by various banks, in addition to cash, to counterparts to satisfy various collateral and margin deposit requirements (see Note 13 — Borrowings and Credit Facilities).

9. INVESTMENTS IN MARKETABLE SECURITIES

Available-for-Sale Securities — The Partnership held equity securities of \$55.1 million categorized as available-for-sale securities, included in Investments in marketable securities as of December 31, 2009. As of December 31, 2009, gross unrealized gains were \$7.9 million and gross unrealized losses were \$9.9 million. During 2009, the Partnership realized a loss on available-for-sale securities, that was previously recorded in AOCI, of \$44.3 million. During 2008, the Partnership purchased \$2.0 million and novated to RBS \$30.3 million of available-for-sale securities. The fair value of securities in an unrealized loss position at December 31, 2009 was \$20.8 million. The unrealized losses were primarily caused by temporary declines in the market values of the securities. As of December 31, 2009, the Partnership does not consider these investments to be other-than-temporarily impaired.

Trading Securities — As of December 31, 2009, the Partnership had \$0.2 million of securities classified as trading securities included in Investments in marketable securities. The Partnership recorded unrealized losses of \$0.7 million related to trading securities for the period from April 1, 2008 to December 31, 2008. During 2008, the Partnership sold \$2.5 million and novated to RBS \$2.0 million of trading securities.

10. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

As of December 31, 2009, the Partnership owned 30% of Gateway Energy Services Corporation (Gateway). Gateway is a retail marketer of natural gas and electricity, serving residential, commercial, and light industrial customers primarily in the northeast, mid-west, and mid-atlantic regions of the U.S. During 2009, the Partnership recorded a loss of \$12.5 million on its investment in Gateway. As of December 31, 2009, the Partnership owned 25% of Great Eastern Energy Co. LLC (GEEC). GEEC supplies natural gas and electricity to commercial and industrial customers within major markets across the United States. During 2009, the Partnership received a \$1.6 million distribution from GEEC. The carrying value of these investments is \$28.0 million as of December 31, 2009 and is included in Prepaid and other assets.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less accumulated depreciation. These assets consist of leasehold improvements and office equipment, computer equipment (which includes computer hardware and software) and machinery and equipment. Property, plant and equipment by major functional categories are as follows (in thousands):

As of December 31, 2009	Cost	Accumulated Depreciation	Book Value
Leasehold improvements and office equipment	\$121,646	\$37,522	\$84,124
Computer equipment	215,668	153,999	61,669
Machinery and equipment	9,471	5,440	4,031
	<u>\$346,785</u>	<u>\$196,961</u>	<u>\$149,824</u>

12. FINANCE LEASE RECEIVABLE

In connection with a transaction entered into during 2008, the Partnership entered into a sales type lease that is recorded in the consolidated statement of financial condition as a Finance lease receivable. The balance at December 31, 2009 is as follows (in thousands):

	2009
Gross receivable	\$211,988
Unearned income	(133,744)
Unguaranteed residual value	115,000
	<hr/>
Finance lease receivable	<u>\$193,244</u>

Contractual maturities of the gross receivable as of December 31, 2009 were as follows (in thousands):

2010	\$11,111
2011	14,273
2012	14,893
2013	13,233
2014	19,740
Thereafter	138,738
	<hr/>
	<u>\$211,988</u>

13. BORROWINGS AND CREDIT FACILITIES

Certain subsidiaries of the Partnership have a \$1.72 billion, five year committed syndicated revolving credit facility (consisting of borrowings, letters of credit and other credit support accommodations) maturing in September 2010. The amount of credit available under the facility is limited to the amount of a borrowing base consisting of receivables, inventories and other assets of a subsidiary of the Partnership that secure the credit facility and are valued for purposes of the borrowing base at varying percentages of current market value. Extensions of credit are guaranteed by Sempra Energy subject to a maximum guarantee liability of 20% of the lenders' total commitments under the facility. The facility requires a subsidiary of the Partnership to meet certain financial tests at the end of each quarter, including minimum working capital, leverage ratio, senior debt to tangible net worth ratio, and minimum net worth and tangible net worth tests. It also imposes certain other limitations on the subsidiary and certain affiliates, including certain limitations on other indebtedness, capital expenditures, liens, transfers of assets, investments, loans, advances, dividends, other distributions, modifications of risk management policies and transactions with affiliates. As of December 31, 2009, the facility had \$968 million of letters of credit and no borrowings outstanding. In addition to commitment fees, these borrowings accrue interest at market rates based on a base rate or libor plus a fixed margin. In May 2008, the facility was amended to permit the implementation of the transfer of certain businesses of the Partnership to RBS and to ensure that after such transfer, the Partnership businesses would continue to be able to utilize the credit facility. In addition, there were adjustments to covenants and the margin applicable to loans.

At December 31, 2009, RBS, on behalf of itself and certain subsidiaries of the Partnership, maintained \$1.282 billion in various uncommitted lines of credit. At December 31, 2009, these facilities had outstanding \$985 million of letters of credit and no short term borrowings. These facilities exclude a line of credit provided by RBS to subsidiaries of the Partnership as well as loans made by RBS to the Partnership (or its subsidiaries) pursuant to its obligation to lend cash and other working capital to the Partnership as necessary to fund all of its ongoing operating expenses, to provide capital to the Partnership to support the trading activities of its subsidiaries at a level prevailing as of April 1, 2008, to support the business plan of the Partnership, and to support its reasonable growth.

14. INCOME TAXES

The Partnership is a Limited Liability Partnership, incorporated under the laws of the United Kingdom and for U.S. purposes has elected to be treated as a Partnership for U.S. federal, state and local filings. The income or loss applicable to the operations of the Partnership is includable in the U.S. income tax returns of the Members. Certain subsidiaries of the Partnership are subject to tax in foreign jurisdictions where such subsidiary is treated as a corporation under local tax laws.

The provision for income taxes is summarized below (in thousands):

	For the Year Ended December 31, 2009	For the Period Ended December 31, 2008
Current — foreign	\$34,553	\$13,317
Current — state	7,234	-
Deferred — foreign	(1,663)	3,101
	<hr/>	<hr/>
Total provision for income taxes	<u>\$40,124</u>	<u>\$16,418</u>

As of December 31, 2009, the Partnership has a net deferred tax asset of \$3.2 million.

The provision for income taxes varies from the federal income tax rate of 35% primarily because the entity is treated as a partnership for federal and state tax purposes and the income or loss applicable to its operations is included in the income tax returns of the Members.

The total amounts of gross unrecognized tax benefits at the beginning and ending of the year are as follows (in thousands):

Unrecognized tax benefits, as of April 1, 2008	\$38,315
Gross decreases — tax positions in prior period	<u>(26,920)</u>
Unrecognized tax benefits, as of December 31, 2008	11,395
Gross increases — tax positions in prior period	2,106
Gross decreases — tax positions in prior period	(9,483)
Gross increases — current period tax positions	<u>1,758</u>
Unrecognized tax benefits, as of December 31, 2009	<u><u>\$5,776</u></u>

Of the total unrecognized tax benefits, approximately \$6 million represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods.

As a result of the organization of the Partnership (see Note 2 — Formation and Organization of the Partnership), any tax liability arising from the Partnership's operations prior to the effective date of the joint venture will be borne by Sempra. The Partnership commenced on April 1, 2008. The current year ended December 31, 2009 and the prior short period from April 1, 2008 to December 31, 2008 are open under statute for examination for U.S. federal, state and local tax returns. The statute of limitations for other material foreign tax returns remains open for 1995 and forward.

15. EMPLOYEE BENEFIT PLANS

The Partnership's employees participate in various benefit plans, including a defined contribution savings plan (401(k) plan). Included in Compensation and benefits is approximately \$13.2 million and \$10.7 million of expenses for the year ended December 31, 2009 and the period ended December 31, 2008, respectively, related to these plans.

16. COMMITMENTS AND CONTINGENCIES

Minimum non-cancelable lease commitments for office facilities, exclusive of real estate taxes and other expenses are as follows (in thousands):

2010	\$33,630
2011	23,644
2012	15,708
2013	12,453
2014	9,047
Thereafter	<u>30,710</u>
	<u><u>\$125,192</u></u>

Office leases, which expire at various dates through 2024, contain provisions for escalation based on certain cost increases incurred by the lessors. Rent expense was \$12.9 million and \$9.4 million for the year ended December 31, 2009 and for the period from April 1, 2008 (date of commencement) to December 31, 2008, respectively.

As part of its normal business, the Partnership enters into various fixed-price non-cancelable commitments to purchase or sell transportation and storage capacity. These commitments are recognized as performed.

Certain claims, suits and allegations that arise in the ordinary course of business have been filed or are pending against the Partnership. In addition, the Partnership is a respondent in a complaint proceeding initiated at the FERC concerning rates charged for short-term sales of power to the California Independent System Operator Corporation (ISO) and the California Power Exchange (PX) for power supplied during the period of October 2, 2000 through June 20, 2001. On March 26, 2003, the FERC expanded the basis for refunds by adopting a staff recommendation from a separate investigation to change the natural gas proxy component of the mitigated market-clearing price that is used to calculate refunds. The FERC released its final instructions, and ordered the ISO and PX to recalculate the precise number through their settlement models. In August 2006, the Ninth Circuit Court of Appeals (Court of Appeals) upheld the FERC's decision not to extend the refund period and held that FERC properly excluded certain bilateral transactions from the refund proceedings. However, they also held that the FERC erred in excluding certain multi-day transactions from the refund proceedings and in not considering other remedies for tariff violations that occurred prior to October 2, 2000. The Court of Appeals remanded the matter to the FERC for further proceedings. In November 2007, the Partnership and other entities filed requests for rehearing of the Court of Appeals' August 2006 decision. In April 2009 the Ninth Circuit denied the rehearing requests. In November 2009, FERC issued an order establishing the parameters of the proceeding on remand. The remand proceeding is being held in abeyance pending FERC sponsored settlement discussions. In August 2007, the Ninth Circuit Court of Appeals issued a decision reversing and remanding FERC orders declining to provide refunds in a related proceeding regarding short-term bilateral sales up to one month in the Pacific Northwest. The court found that some of the short-term sales between the DWR and various sellers (including the Partnership) that had previously been excluded from the refund proceeding involving sales in the ISO and PX markets in California, were within the scope of the Pacific Northwest refund proceeding. In December 2007, the Partnership and other sellers filed requests for rehearing of the Court of Appeals' August 2007 decision. In April 2009 the Ninth Circuit denied the rehearing requests. On September 4, 2009, the Partnership filed in the US Supreme Court a petition for cert of the Ninth Circuit decision which was denied in January 2010. FERC has not yet issued a remand order in this matter. It is possible that on remand, the FERC could order refunds for short-term sales to the DWR in the Pacific Northwest refund proceeding.

The Partnership has reserves for its estimated refund liability that reflect its estimate of the effect of the FERC's revision of the benchmark prices it will use to calculate refunds and other refund-related developments.

In a separate complaint filed with the FERC in 2002, the California Attorney General challenged the FERC's authority to establish a market-based rate regime, and further contended that, even if such a regime were valid, electricity sellers had failed to comply with the FERC's quarterly reporting requirements. The Attorney General requested that the FERC order refunds from suppliers. The FERC dismissed the complaint and instead ordered sellers to restate their reports. After an appeal by the California Attorney General, the Ninth Circuit Court of Appeals upheld the FERC's authority to establish a market-based rate regime, but ordered remand of the case to the FERC for further proceedings, stating that failure to file transaction-specific quarterly reports gave the FERC authority to order refunds with respect to jurisdictional sellers. In December 2006, a group of sellers petitioned the United States Supreme Court to review the Ninth Circuit Court of Appeals' decision. In June 2007, the Supreme Court declined further review of the Ninth Circuit Court of Appeals' order. On March 21, 2008, FERC issued a procedural order setting the matter for further hearings before an ALJ on remand. FERC issued a clarifying order on October 6, 2008 from which the California Parties sought rehearing, which FERC denied on December 28, 2009. The California parties filed a notice of appeal of these orders with the Ninth Circuit Court of Appeals in January 2010. A hearing is scheduled at FERC for April 2010. On remand, it is possible that the FERC could order refunds or disgorgement of profits for periods in addition to those covered by its prior refund orders and substantially increase the refunds that ultimately may be required to be paid by the Partnership and other power suppliers.

On or about May 22, 2009, the California Attorney General filed an action at FERC against various sellers of power to the CA state agency CDWR-CERS during the period Jan. 18 – June 20, 2001, including the Partnership. The complaint alleges that these sellers benefited from the improper exercise of market power and the violation of various tariffs by selling power to CERS at unjust and unreasonable prices. The complaint alleges that "Sempra," in particular, manipulated the market. The remedies being sought from the Partnership are largely duplicative of those being sought in the proceedings described above. The Partnership filed a motion to dismiss and answer on September 3, 2009. In May 2009, the CA Parties moved FERC to consolidate and grant summary disposition of this matter and certain other matters, including those described above. The Partnership filed an answer in August 2009.

In connection with the formation of the joint venture, Sempra has agreed to indemnify RBS and the Partnership from any liability arising out of these matters.

As of December 31, 2009, the Partnership is owed approximately \$100 million from energy sales made in 2000 and 2001 through the ISO and the PX markets. The collection of these receivables depends on several factors, including the California ISO and PX refund case. The Partnership believes adequate reserves have been recorded.

In the normal course of business, the Partnership has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation. The Partnership is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and regulatory agencies regarding the Company's business, including, among other matters, accounting and operational matters. The Partnership contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, the Partnership cannot predict with certainty the loss or range of loss, if any, related to such matters. Subject to the foregoing, the Partnership believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters should not have a material adverse effect on the consolidated financial condition of the Partnership, although the outcome of such matters could be material to the Partnership's operating results and cash flows for a particular future period, depending on, among other things, the level of the Partnership's revenues, income or cash flows for such period.

17. SUBSEQUENT EVENTS

On February 16, 2010, and in accordance with the restructuring measures that were previously agreed between RBS and the EC, Sempra, RBS and the Partnership entered into an agreement (the Purchase Agreement) with J.P. Morgan Ventures Energy Corporation (J.P. Morgan Ventures), whereby J.P. Morgan Ventures will purchase the oil, metals and European power and gas businesses from the joint venture (the Transaction). RBSSC will retain its North American power and natural gas businesses, and its retail energy solutions business.

The Transaction is expected to close in the second quarter of 2010, and at closing, J.P. Morgan Ventures will pay an aggregate purchase price equal to the estimated book value of the businesses purchased at closing, computed on the basis of IFRS, plus an amount equal to \$468 million.

The closing is subject to several conditions which include obtaining various regulatory approvals, obtaining certain regulatory licenses, the maintenance of certain credit rating levels by J.P. Morgan Chase & Co., and the execution of certain related agreements including an agreement pursuant to which the Partnership will be providing transition services to the subject businesses following the closing.

In connection with the Transaction under the Purchase Agreement, the Partnership expects, subject to the negotiation of a definitive agreement, to amend certain provisions of the various Partnership agreements to reflect the sharing of the proceeds of and indemnities under the Transaction.

The Partnership has evaluated subsequent events for adjustment to or disclosure in its financial statements through February 22, 2010, the date the consolidated financial statements were issued. No recordable or disclosable events, other than the events as disclosed above, occurred through this date.
