

SEMPRA ENERGY

Table A

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts)	Three months ended March 31,	
	2014	2013
REVENUES		
Utilities	\$ 2,485	\$ 2,334
Energy-related businesses	310	316
Total revenues	<u>2,795</u>	<u>2,650</u>
EXPENSES AND OTHER INCOME		
Utilities:		
Cost of natural gas	(620)	(556)
Cost of electric fuel and purchased power	(510)	(447)
Energy-related businesses:		
Cost of natural gas, electric fuel and purchased power	(138)	(111)
Other cost of sales	(38)	(48)
Operation and maintenance	(676)	(724)
Depreciation and amortization	(286)	(295)
Franchise fees and other taxes	(105)	(106)
Gain on sale of equity interest and assets	27	74
Adjustment to loss from plant closure	13	-
Equity earnings, before income tax	17	10
Other income, net	40	37
Interest income	4	6
Interest expense	(136)	(138)
Income before income taxes and equity earnings of certain unconsolidated subsidiaries	387	352
Income tax expense	(127)	(178)
Equity earnings, net of income tax	6	4
Net income	<u>266</u>	<u>178</u>
(Earnings) losses attributable to noncontrolling interests	(19)	2
Preferred dividends of subsidiaries	-	(2)
Earnings	<u>\$ 247</u>	<u>\$ 178</u>
Basic earnings per common share		
	\$ 1.01	\$ 0.73
Weighted-average number of shares outstanding, basic (thousands)		
	<u>245,277</u>	<u>243,294</u>
Diluted earnings per common share		
	\$ 0.99	\$ 0.72
Weighted-average number of shares outstanding, diluted (thousands)		
	<u>249,669</u>	<u>247,534</u>
Dividends declared per share of common stock		
	\$ 0.66	\$ 0.63

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Table A (Continued)

Sempra Energy Consolidated

RECONCILIATION OF SEMPRA ENERGY GAAP EARNINGS TO SEMPRA ENERGY ADJUSTED EARNINGS EXCLUDING 2014 ADJUSTMENT TO LOSS FROM 2013 PLANT CLOSURE (Unaudited)

In the first quarter of 2014, Sempra Energy Adjusted Earnings and Adjusted Diluted Earnings Per Common Share exclude a \$9 million charge (\$0.04 per diluted share) to adjust the loss from plant closure (in addition to the amount recorded in the second quarter of 2013) associated with the investment in the San Onofre Nuclear Generating Station (SONGS) based upon a proposed settlement agreement filed with the California Public Utilities Commission (CPUC) in April 2014. These are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States of America). Because of the significance and nature of the excluded charge, management believes that these non-GAAP financial measures provide a more meaningful comparison of the performance of Sempra Energy's business operations from 2014 to 2013 and to future periods, and also as a base for projection of future compounded annual growth rate. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods these non-GAAP financial measures to Sempra Energy Earnings and Diluted Earnings Per Common Share, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

(Dollars in millions, except per share amounts)	Three months ended March 31,	
	2014	2013
Sempra Energy GAAP Earnings	\$ 247	\$ 178
Add: 2014 adjustment to loss from 2013 plant closure	9	-
Sempra Energy Adjusted Earnings	<u>\$ 256</u>	<u>\$ 178</u>
Diluted earnings per common share:		
Sempra Energy GAAP Earnings	<u>\$ 0.99</u>	<u>\$ 0.72</u>
Sempra Energy Adjusted Earnings	<u>\$ 1.03</u>	<u>\$ 0.72</u>
Weighted-average number of shares outstanding, diluted (thousands)	<u>249,669</u>	<u>247,534</u>

San Diego Gas & Electric Company (SDG&E)

RECONCILIATION OF SDG&E GAAP EARNINGS TO ADJUSTED EARNINGS EXCLUDING 2014 ADJUSTMENT TO LOSS FROM 2013 PLANT CLOSURE (Unaudited)

SDG&E Adjusted Earnings excluding a \$9 million charge in the first quarter of 2014 to adjust the loss from plant closure (in addition to the amount recorded in the second quarter of 2013) associated with SDG&E's investment in SONGS based upon a proposed settlement agreement filed with the CPUC in April 2014 is a non-GAAP financial measure. Because of the significance and nature of this item, management believes that this non-GAAP financial measure provides a more meaningful comparison of the performance of SDG&E's business operations from 2014 to 2013 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods this non-GAAP financial measure to SDG&E Earnings, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

(Dollars in millions)	Three months ended March 31,	
	2014	2013
SDG&E GAAP Earnings	\$ 99	\$ 91
Add: 2014 adjustment to loss from 2013 plant closure	9	-
SDG&E Adjusted Earnings	<u>\$ 108</u>	<u>\$ 91</u>

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Table B

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	March 31, 2014 (unaudited)	December 31, 2013(1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 844	\$ 904
Restricted cash	26	24
Accounts receivable, net	1,405	1,522
Due from unconsolidated affiliates	2	4
Income taxes receivable	88	85
Deferred income taxes	375	301
Inventories	197	287
Regulatory balancing accounts – undercollected	665	556
Other regulatory assets	35	38
Fixed-price contracts and other derivatives	114	106
Asset held for sale, power plant	293	-
Other	180	170
Total current assets	4,224	3,997
Investments and other assets:		
Restricted cash	27	25
Due from unconsolidated affiliate	31	14
Regulatory assets arising from pension and other postretirement benefit obligations	454	435
Other regulatory assets	2,039	2,113
Nuclear decommissioning trusts	1,055	1,034
Investments	1,634	1,575
Goodwill	999	1,024
Other intangible assets	423	426
Sundry	1,146	1,141
Total investments and other assets	7,808	7,787
Property, plant and equipment, net	25,452	25,460
Total assets	\$ 37,484	\$ 37,244
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$ 1,084	\$ 545
Accounts payable	1,200	1,215
Dividends and interest payable	322	271
Accrued compensation and benefits	260	376
Regulatory balancing accounts – overcollected	88	91
Current portion of long-term debt	97	1,147
Fixed-price contracts and other derivatives	54	55
Customer deposits	155	154
Other	615	515
Total current liabilities	3,875	4,369
Long-term debt	11,700	11,253
Deferred credits and other liabilities:		
Customer advances for construction	158	155
Pension and other postretirement benefit obligations, net of plan assets	679	667
Deferred income taxes	2,958	2,804
Deferred investment tax credits	41	42
Regulatory liabilities arising from removal obligations	2,624	2,623
Asset retirement obligations	2,127	2,084
Fixed-price contracts and other derivatives	238	228
Deferred credits and other	1,195	1,169
Total deferred credits and other liabilities	10,020	9,772
Equity:		
Total Sempra Energy shareholders' equity	11,040	11,008
Preferred stock of subsidiary	20	20
Other noncontrolling interests	829	822
Total equity	11,889	11,850
Total liabilities and equity	\$ 37,484	\$ 37,244

(1) Derived from audited financial statements.

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Table C

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)	Three months ended March 31,	
	2014	2013
	(unaudited)	
Cash Flows from Operating Activities		
Net income	\$ 266	\$ 178
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	286	295
Deferred income taxes and investment tax credits	95	252
Gain on sale of equity interest and assets	(27)	(74)
Adjustment to loss from plant closure	(13)	—
Equity earnings	(23)	(14)
Fixed-price contracts and other derivatives	(3)	17
Other	(24)	6
Net change in other working capital components	234	149
Changes in other assets	94	17
Changes in other liabilities	19	9
Net cash provided by operating activities	904	835
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(801)	(531)
Expenditures for investments	(12)	(5)
Proceeds from sale of equity interest and assets, net of cash sold	66	371
Distributions from investments	3	15
Purchases of nuclear decommissioning and other trust assets	(198)	(136)
Proceeds from sales by nuclear decommissioning and other trusts	195	134
Decrease in restricted cash	23	52
Increase in restricted cash	(27)	(60)
Advances to unconsolidated affiliates	(17)	—
Other	(2)	(2)
Net cash used in investing activities	(770)	(162)
Cash Flows from Financing Activities		
Common dividends paid	(154)	(145)
Preferred dividends paid by subsidiaries	—	(2)
Issuances of common stock	11	15
Repurchases of common stock	(37)	(45)
Issuances of debt (maturities greater than 90 days)	1,188	608
Payments on debt (maturities greater than 90 days)	(1,138)	(645)
Proceeds from sale of noncontrolling interests, net of \$25 in offering costs	—	574
Decrease in short-term debt, net	(69)	(43)
Other	6	3
Net cash (used in) provided by financing activities	(193)	320
Effect of exchange rate changes on cash and cash equivalents	(1)	3
(Decrease) increase in cash and cash equivalents	(60)	996
Cash and cash equivalents, January 1	904	475
Cash and cash equivalents, March 31	\$ 844	\$ 1,471

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Table D

SEGMENT EARNINGS AND CAPITAL EXPENDITURES & INVESTMENTS

(Dollars in millions)	Three months ended March 31,	
	2014	2013
	(unaudited)	
Earnings (Losses)		
California Utilities:		
San Diego Gas & Electric	\$ 99	\$ 91
Southern California Gas	78	46
Sempra International:		
Sempra South American Utilities	35	37
Sempra Mexico	42	31
Sempra U.S. Gas & Power:		
Sempra Renewables	28	4
Sempra Natural Gas	9	53
Parent and other	(44)	(84)
Earnings	<u>\$ 247</u>	<u>\$ 178</u>

(Dollars in millions)	Three months ended March 31,	
	2014	2013
	(unaudited)	
Capital Expenditures and Investments		
California Utilities:		
San Diego Gas & Electric	\$ 294	\$ 237
Southern California Gas	260	179
Sempra International:		
Sempra South American Utilities	32	22
Sempra Mexico	75	61
Sempra U.S. Gas & Power:		
Sempra Renewables	111	11
Sempra Natural Gas	40	26
Parent and other	1	-
Consolidated Capital Expenditures and Investments	<u>\$ 813</u>	<u>\$ 536</u>

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Table E

OTHER OPERATING STATISTICS (Unaudited)

UTILITIES	Three months ended March 31,	
	2014	2013
California Utilities - SDG&E and SoCalGas		
Gas Sales (bcf) ⁽¹⁾	112	140
Transportation (bcf) ⁽¹⁾	162	168
Total Deliveries (bcf) ⁽¹⁾	274	308
Total Gas Customers (Thousands)	6,714	6,685
Electric Sales (Millions of kWh) ⁽¹⁾	3,897	4,024
Direct Access (Millions of kWh)	888	835
Total Deliveries (Millions of kWh) ⁽¹⁾	4,785	4,859
Total Electric Customers (Thousands)	1,410	1,403
Other Utilities		
Natural Gas Sales (bcf)		
Mexico	6	6
Mobile Gas ⁽²⁾	11	11
Willmut Gas	1	1
Natural Gas Customers (Thousands)		
Mexico	101	94
Mobile Gas	88	89
Willmut Gas	20	20
Electric Sales (Millions of kWh)		
Peru	1,851	1,746
Chile	788	761
Electric Customers (Thousands)		
Peru	1,005	968
Chile	644	628
ENERGY-RELATED BUSINESSES		
Sempra International		
Power Sold (Millions of kWh)		
Sempra Mexico	1,102	1,099
Sempra U.S. Gas & Power		
Power Sold (Millions of kWh)		
Sempra Renewables ⁽³⁾	638	698
Sempra Natural Gas ⁽⁴⁾	1,252	1,132

(1) Includes intercompany sales.

(2) Includes transportation.

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

(4) Sempra Natural Gas sold one 625-megawatt (MW) block of its 1,250-MW Mesquite Power natural gas-fired power plant in February 2013.

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Table F (Unaudited)

Statement of Operations Data by Segment

Three Months Ended March 31, 2014

(Dollars in millions)	SDG&E	SoCalGas	Sempra South American Utilities	Sempra Mexico	Sempra Renewables	Sempra Natural Gas	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 987	\$ 1,085	\$ 378	\$ 201	\$ 6	\$ 260	\$ (122)	\$ 2,795
Cost of sales and other expenses	(649)	(851)	(301)	(135)	(12)	(243)	104	(2,087)
Depreciation and amortization	(130)	(105)	(14)	(16)	(1)	(17)	(3)	(286)
Gain on sale of equity interest	-	-	-	-	27	-	-	27
Adjustment to loss from plant closure	13 ⁽¹⁾	-	-	-	-	-	-	13
Equity earnings, before income tax	-	-	-	-	2	15	-	17
Other income, net	13	4	1	10	-	1	11	40
Income (loss) before interest and tax ⁽²⁾	234	133	64	60	22	16	(10)	519
Net interest expense ⁽³⁾	(50)	(17)	(5)	(4)	-	(1)	(55)	(132)
Income tax (expense) benefit	(83)	(38)	(15)	(12)	6	(6)	21	(127)
Equity (losses) earnings, net of income tax	-	-	(2)	8	-	-	-	6
Earnings attributable to noncontrolling interests	(2)	-	(7)	(10)	-	-	-	(19)
Earnings (losses)	\$ 99	\$ 78	\$ 35	\$ 42	\$ 28	\$ 9	\$ (44)	\$ 247

Three Months Ended March 31, 2013

(Dollars in millions)	SDG&E	SoCalGas	Sempra South American Utilities	Sempra Mexico	Sempra Renewables	Sempra Natural Gas	Consolidating Adjustments, Parent & Other	Total
Revenues	\$ 939	\$ 983	\$ 384	\$ 168	\$ 21	\$ 253	\$ (98)	\$ 2,650
Cost of sales and other expenses	(637)	(800)	(301)	(113)	(13)	(220)	92	(1,992)
Depreciation and amortization	(134)	(100)	(15)	(16)	(8)	(20)	(2)	(295)
Gain on sale of assets	-	-	-	-	-	74	-	74
Equity earnings, before income tax	-	-	-	-	1	9	-	10
Other income, net	11	4	3	9	-	2	8	37
Income before interest and tax ⁽²⁾	179	87	71	48	1	98	-	484
Net interest expense ⁽³⁾	(48)	(17)	(2)	(1)	(5)	(12)	(49)	(134)
Income tax (expense) benefit	(51)	(24)	(17)	(26)	8	(33)	(35) ⁽⁴⁾	(178)
Equity (losses) earnings, net of income tax	-	-	(7)	11	-	-	-	4
Losses (earnings) attributable to noncontrolling interests	11	-	(8)	(1)	-	-	-	2
Earnings (losses)	\$ 91	\$ 46	\$ 37	\$ 31	\$ 4	\$ 53	\$ (84)	\$ 178

⁽¹⁾ After taxes, including a \$17 million charge to reduce certain tax regulatory assets attributed to SONGS, the adjustment to loss from plant closure is a \$9 million charge to earnings.

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

⁽³⁾ Net Interest Expense includes interest income, interest expense and preferred dividends of subsidiaries.

⁽⁴⁾ Includes \$63 million income tax expense resulting from a corporate reorganization in connection with the IEnova stock offerings.