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Sempra Utilities

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Utilities Outline

- Business Overview
- Accomplishments
- Outlook and Strategic Priorities
- San Diego Gas & Electric (SDG&E)
  - Project updates
  - Growth opportunities
- Southern California Gas Company (SoCalGas)
  - Project updates
  - Growth opportunities
- Summary

Business Overview

- SDG&E
  - Provider of electric and natural gas services
  - 3.5 million consumers
  - 4,100 square miles of service territory
  - 2.3 million electric & gas meters
  - 11,000 new meters in 2009
  - Ratebase of $4.4 billion
- SoCalGas
  - Provider of natural gas services
  - 20.7 million consumers
  - 20,000 square miles of service territory
  - 6 million gas meters
  - 27,000 new meters in 2009
  - Ratebase of $2.8 billion

Note: Data as of December 31, 2009.

Accomplishments

- Financial
  - 6% earnings growth in 2009
  - Annual average of $1 billion operating cash flows*
  - No.1 in the state and top 10% in the nation for return on invested capital
- Regulatory
  - Extension of SDG&E's cost of capital
  - Commissioner's proposed decision supports SoCalGas' Advanced Metering Infrastructure Program
- Recognition
  - No.1 in Nation Gas Utility Customer Service – J.D. Power & Associates
  - No.1 in Western U.S. in Electric Reliability – 4 straight years
  - No.1 on the list of "smart" U.S. utilities

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* 3-year annual average (2007 – 2009).

Regulatory Environment

California Regulatory Framework

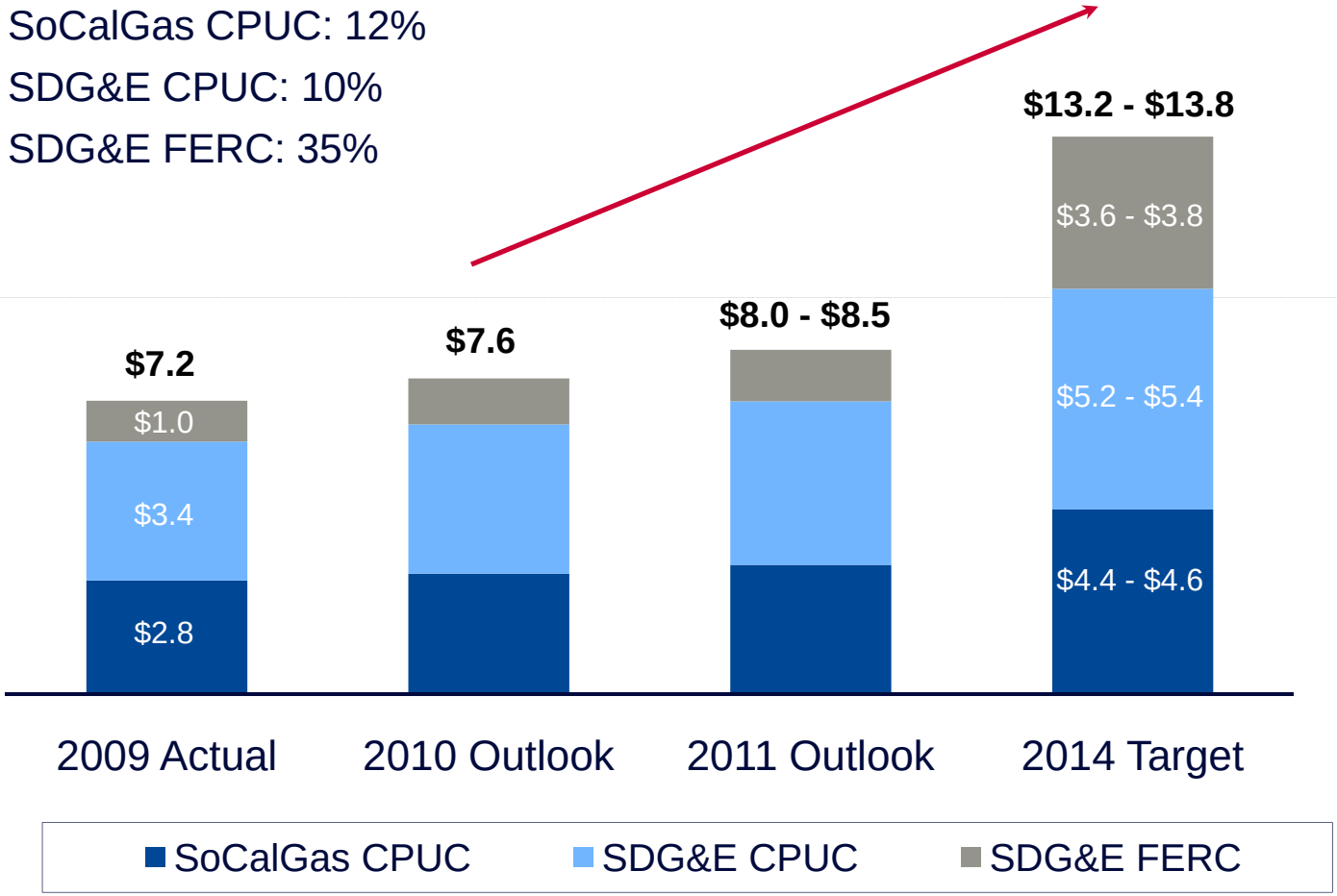
- Resource loading order gives priority to energy efficiency, demand response and renewables
- Earnings not impacted by commodity volumes or prices
- Earnings benefit from operational efficiencies and performance incentives

Why It Works

- Investments in energy efficiency have proven cost effective and have held customer use flat for more than 20 years
- Energy bills are approximately 20%-30% below the national average driven by low consumption
- Even at 33% renewables, customer bills remain significantly below the national average
- Strong demand from California customers for renewables and green energy have driven bipartisan support from the Legislature and Regulators

Utilities - Ratebase Growth ($ billions)

- Growth from 2010 – 2014*
  - SoCalGas CPUC: 12%
  - SDG&E CPUC: 10%
  - SDG&E FERC: 35%



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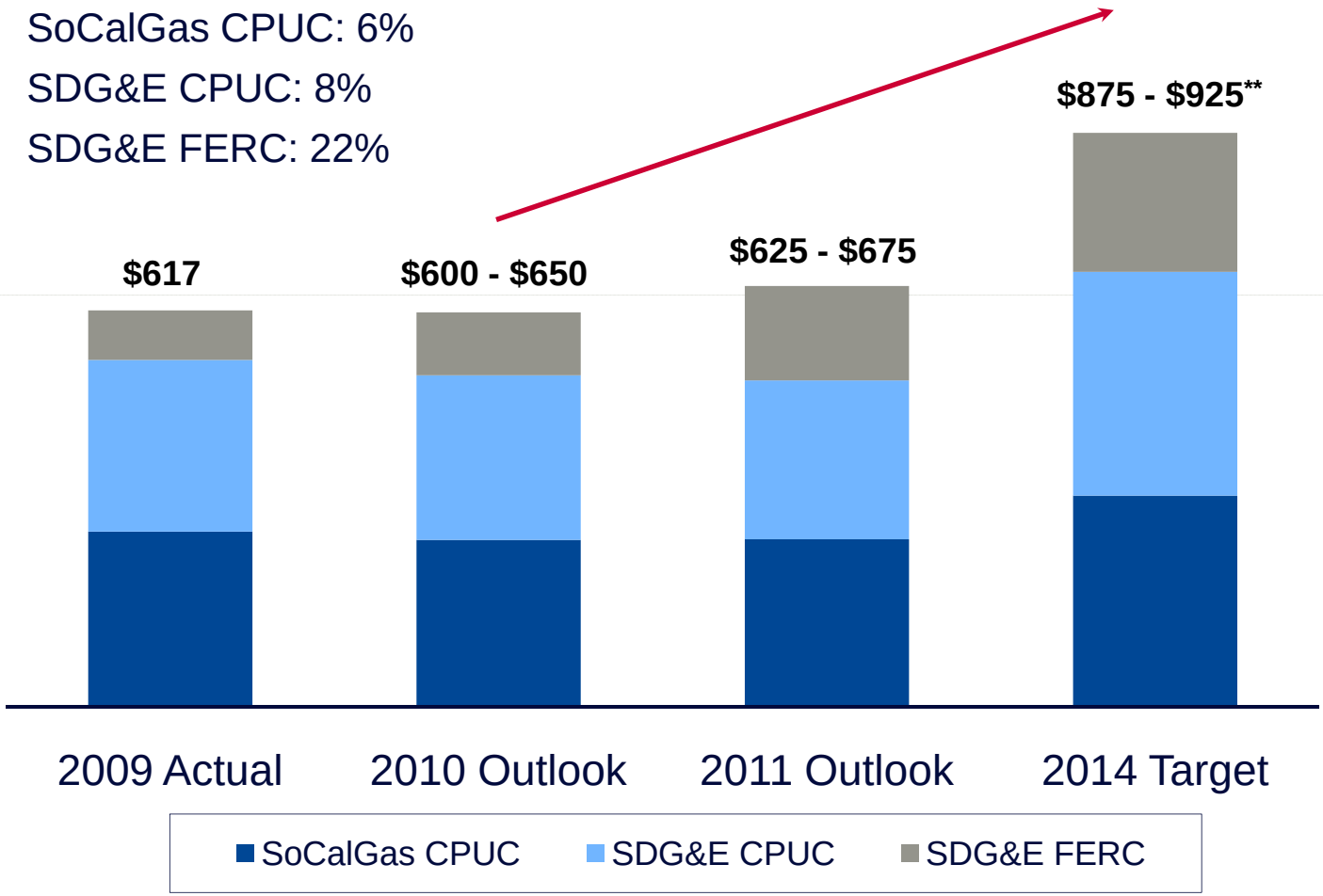
* 2010-2014 compound annual growth rate based on midpoint of forecast range.

Utilities - Earnings Growth ($ millions)

- 9% –10% growth rate from 2010 – 2014*
  - SoCalGas CPUC: 6%
  - SDG&E CPUC: 8%
  - SDG&E FERC: 22%



* 2010-2014 compound annual growth rate based on midpoint of forecast range.

** Assumed 3% CPUC authorized revenue increase for 2012-2014.

2010 - 2014 Strategic Priorities

- Execute major infrastructure investments (5-year capital plan of $10.6 billion)

SDG&E

- Sunrise Powerlink
- Smart Meters
- Substation expansions
- Renewable investments

SoCalGas

- Advanced Metering Infrastructure
- Gas compressors upgrade
- Storage enhancements
- Biofuels

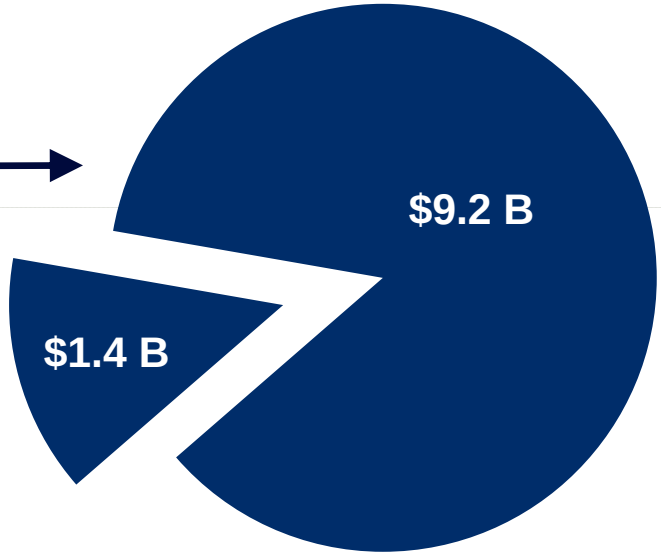
Investments Minimize Customer Rate Impacts

Investments	Benefits
Technology	▪ Reduces costs of operation ▪ Greater customer control over usage ▪ Enhanced customer services
Renewables/Biofuels	▪ Diversified energy sources ▪ More stable electricity prices ▪ Lowest customer cost for renewables
Sunrise Powerlink & Substations	▪ Transmission project costs socialized ▪ Access to green energy ▪ Improves reliability
Gas Storage & Injection	▪ Reduces price volatility ▪ Improves reliability/operations

5-Year Capital Plan of $10.6 billion

2009 – 2013 Capital Plan

2010 – 2014 Capital Plan
$10.6 billion



2009 – 2013
Additional Opportunities

Added to the Plan

- Substation Expansions
- Renewable Ownership
- Distributed Solar Generation
- Alternative Fuel Vehicle Infrastructure

Other Growth Areas in Plan ($ millions)

SDG&E	
Substation Expansions	$ 400
Renewable Generation	400
Distributed Solar Generation, Electric Vehicle Infrastructure and Smart Grid	300
Total SDG&E	1,100
SoCalGas	
Biofuels	130
Distributed Solar Generation	120
Other	50
Total SoCalGas	300
Additions to the Utilities' Capital Plan	$ 1,400

Utilities Outlook ($ millions)

Earnings			
	2010	2011	2014
SDG&E	$350 - $375	$375 - $400	$550 - $575
SoCalGas	$250 - $275	$250 - $275	$325 - $350
Total Utilities	$600 - $650	$625 - $675	$875 - $925

Capital Expenditures and Investments			
	2010	2011	2012 – 2014 Average
SDG&E	$1,500	$1,900 - $2,000	$1,100 - $1,200
SoCalGas	$600	$600 - $700	$700 - $800
Total Utilities	$2,100	$2,500 - $2,700	$1,800 - $2,000

Key Challenges and Opportunities

- Challenges
  - Timely permitting for infrastructure
  - Resolution of wildfire-related recovery framework
- Opportunities
  - Technology investments to improve our operations
  - Renewable investments
  - Clean fuel vehicle infrastructure
  - Grid enhancements

Appendix

SDG&E - Key Financial Plan Drivers

- Ratebase Growth*
  - FERC: 35% CAGR
  - CPUC: 10% CAGR
- Authorized Return on Equity
  - FERC: 11.35%
  - CPUC: 11.10%
- CPUC annual authorized revenue increase approximately 3% per year
- Effective income tax rates range from 35% to 40%
- Capital expenditures primarily funded by operating cash flow and debt financing

* 2010-2014 compound annual growth rate based on midpoint of forecast range.

SoCalGas - Key Financial Plan Drivers

- Ratebase Growth: 12% CAGR*
- Authorized Return on Equity: 10.82%
- CPUC annual authorized revenue increase approximately 3% per year
- Incentive earnings of approximately $10 - $16 million annually
- Effective income tax rates range from 35% to 42%
- Capital expenditures primarily funded by operating cash flow and debt financing

* 2010-2014 compound annual growth rate based on midpoint of forecast range.

SoCalGas - 2010 - 2014 Incentives

$10 - $16 Million Per Year (After-Tax)

- Gas Storage and Hub Services Incentive
  - Net revenue sharing mechanism for non-core storage operations
- Gas Cost Incentive Mechanism
  - Measures performance in gas procurement and transportation
- Energy Efficiency
  - Incentive mechanism for reduction of customer energy consumption and peak demand

CPUC Capital Structure/Cost of Capital

	SDG&E		SoCalGas	
	Authorized Capital Structure	Authorized Return	Authorized Capital Structure	Authorized Return
Long-Term Debt	45.25%	5.62%	45.61%	6.96%
Preferred Equity	5.75%	7.25%	6.39%	4.83%
Common Equity	49.00%	11.10%	48.00%	10.82%

Cost of Capital Adjustment Mechanism

	SDG&E	SoCalGas	
Mechanism	12 month avg. of Moody's A utility bond yield ending September	12 month avg. of 30 yr. T-bond yield AND	Global Insight 12 month forecast of 30 yr. T-bond yield
Basis points change requirement	100	150	150
Benchmark*	6.02%	5.38%	5.38%
Amount needed to trigger (upside and downside)	7.02% 5.02%	6.88% 3.88%	6.88% 3.88%
Latest indices through February 2010**	5.84%	4.27%	4.79%

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* SDG&E benchmark established in 2007/2008 COC Phase II; SoCalGas benchmark established in 2002

** Historical yields based on average of last 12 months; forecasted yield based on average of next 12 months

SDG&E and SoCalGas Credit Ratings

	Standard & Poor's	Moody's	Fitch
Secured debt	A+	Aa3	AA
Unsecured debt	A	A2	AA-
Preferred stock	BBB+	Baa1	A
Commercial paper	A-1	P-1	F-1+

Commissioners

Agency	Commissioner	Term Expiration
CPUC	Michael R. Peevey, President	January 1, 2015
	Dian M. Grueneich	January 1, 2011
	John A. Bohn	January 1, 2011
	Timothy A. Simon	January 1, 2013
	Nancy E. Ryan	January 1, 2015
FERC	Jon Wellinghoff, Chairman	June 30, 2013
	Philip D. Moeller	June 30, 2010
	Marc Spitzer	June 30, 2011
	John R. Norris	June 30, 2012