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Sempra Energy Announces Agreement To Acquire Ownership Interest In Oncor

- Agreement Helps Ensure Continued Safe, Reliable Service for Oncor Customers
- Strong Protections for Customers Remain in Place; Oncor's Financial Strength Expected to Be Enhanced
- Sempra Energy Expects Transaction to Be Accretive to Earnings Beginning in 2018

SAN DIEGO, Aug. 20, 2017 /PRNewswire/ -- Sempra Energy (NYSE: SRE) today announced an agreement to acquire Energy Future Holdings Corp. (Energy Future), the indirect owner of 80 percent of Oncor Electric Delivery Company, LLC (Oncor), operator of the largest electric transmission and distribution system in Texas.

Under the agreement, Sempra Energy will pay approximately $9.45 billion in cash to acquire Energy Future and its ownership in Oncor, while taking a major step forward in resolving Energy Future's long-running bankruptcy case. The enterprise value of the transaction is approximately $18.8 billion, including the assumption of Oncor's debt.

The transaction is expected to be accretive to Sempra Energy's earnings beginning in 2018.

"Both Sempra Energy and Oncor share more than 100 years of experience operating utilities that deliver safe, reliable energy to millions of customers," said Debra L. Reed, chairman, president and CEO of Sempra Energy. "With its strong management team and long, distinguished history as Texas' leading electric provider, Oncor is an excellent strategic fit for our portfolio of utility and energy infrastructure businesses. We believe our agreement with Energy Future will help ensure that Texas utility customers continue to receive the outstanding electric service they have come to expect from Oncor and provide stability to Oncor's nearly 4,000 employees."

"For investors, this transaction is expected to enhance our earnings beginning in 2018 and further expand our regulated earnings base, while serving as a platform for future growth in the Texas energy market and U.S. Gulf Coast region," said Reed.

Sempra Energy expects to fund the $9.45 billion transaction using a combination of its own debt and equity, third-party equity, and $3 billion of expected investment-grade debt at the reorganized holding company. Sempra Energy has received financing commitments from RBC Capital Markets and Morgan Stanley. Sempra Energy expects its equity ownership after the transaction to be approximately 60 percent of the reorganized holding company.

As a result of the transaction, it is anticipated that Oncor's underlying financial strength and credit ratings will improve. Sempra Energy also will maintain the existing independence of Oncor's board of directors, which has protected Oncor and its customers during the ongoing Energy Future bankruptcy.

"It is important for Oncor to remain financially strong," Reed said. "Our proposal will help bring a satisfactory resolution to Energy Future's bankruptcy case, keep Oncor financially strong, and protect Oncor customers, while addressing the needs of Texas regulators, creditors and the U.S. Bankruptcy Court."

As part of the transaction, Sempra Energy has committed to support Oncor's plan to invest $7.5 billion of capital over a five-year period to expand and reinforce its transmission and distribution network.

At the completion of the transaction, Bob Shapard, Oncor's CEO, will become executive chairman of the Oncor board of directors and Allen Nye, currently Oncor's general counsel, will succeed Shapard as Oncor's CEO. Both are slated to serve on the Oncor board, which will consist of 13 directors, including seven independent directors from Texas, two from existing equity holders and two from the new Sempra Energy-led holding company.

The transaction is subject to customary closing conditions, including the approval of the Public Utility Commission of Texas, U.S. Bankruptcy Court of Delaware, Federal Energy Regulatory Commission and the U.S. Department of Justice under the Hart-Scott-Rodino Act.

Sempra Energy expects the transaction to be completed in the first half of 2018. Lazard and Morgan Stanley are acting as financial advisors to Sempra Energy and, White & Case LLP, as legal advisor.

Sempra Energy plans to webcast a conference call for investors, financial analysts, news media and the general public later this week, with details to follow.

Headquartered in Dallas, Oncor is a regulated electric transmission and distribution service provider that serves 10 million customers across Texas. Using cutting-edge technology, more than 3,700 employees work to safely maintain reliable electric delivery service with the largest distribution and transmission system in Texas; made up of approximately 122,000 miles of lines and more than 3.4 million meters across the state.

Sempra Energy includes San Diego Gas & Electric, Southern California Gas Co., Sempra South American Utilities, Sempra Mexico, Sempra Renewables and Sempra LNG & Midstream. Sempra LNG & Midstream currently is developing the Port Arthur LNG liquefaction-export project on the Gulf Coast of Texas. Sempra Energy formerly owned and operated 10 power plants in the Texas electric market and currently maintains a 200-person office in Houston to support marketing and development activities.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2016 revenues of more than $10 billion. The Sempra Energy companies' more than 16,000 employees serve approximately 32 million consumers worldwide.

This press release contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words such as "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "assumes," "depends," "should," "could," "would," "will," "confident," "may," "can," "potential," "possible," "proposed," "target," "pursue," "outlook," "maintain," or similar expressions or discussions of guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements.

Such forward-looking statements include, but are not limited to, statements about the anticipated benefits of the proposed merger involving Sempra Energy and Energy Future, including future financial or operating results of Sempra Energy or Oncor, Sempra Energy's, Energy Future's or Oncor's plans, objectives, expectations or intentions, the expected timing of completion of the transaction, the anticipated improvement in credit ratings of Oncor, and other statements that are not historical facts. Important factors that could cause actual results to differ materially from those indicated by any such forward-looking statements include risks and uncertainties relating to: the risk that Sempra Energy, Energy Future or Oncor may be unable to obtain bankruptcy court and governmental and regulatory approvals required for the merger, or that required bankruptcy court and governmental and regulatory approvals may delay the merger or result in the imposition of conditions that could cause the parties to abandon the transaction or be onerous to Sempra; the risk that a condition to closing of the merger may not be satisfied, including receipt of a satisfactory supplemental private ruling letter from the Internal Revenue Service; the expected timing to consummate the proposed merger; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; and the diversion of management time and attention to merger-related issues.

Additional factors, among others, that could cause actual results and future actions to differ materially from those described in forward-looking statements include: actions and the timing of actions, including decisions, new regulations, and issuances of permits and other authorizations by the California Public Utilities Commission, U.S. Department of Energy, California Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Administration, Los Angeles County Department of Public Health, states, cities and counties, and other regulatory and governmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction projects, including risks in obtaining or maintaining permits and other authorizations on a timely basis, risks in completing construction projects on schedule and on budget, and risks in obtaining the consent and participation of partners; the resolution of civil and criminal litigation and regulatory investigations; deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; modifications of settlements; delays in, or disallowance or denial of, regulatory agency authorizations to recover costs in rates from customers (including with respect to regulatory assets associated with the San Onofre Nuclear Generating Station facility and 2007 wildfires) or regulatory agency approval for projects required to enhance safety and reliability; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the transmission grid, moratoriums or limitations on the withdrawal or injection of natural gas from or into storage facilities, and equipment failures; changes in energy markets; volatility in commodity prices; moves to reduce or eliminate reliance on natural gas; the impact on the value of our investment in natural gas storage and related assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for storage services; risks posed by actions of third parties who control the operations of our investments, and risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; weather conditions, natural disasters, accidents, equipment failures, computer system outages, explosions, terrorist attacks and other events that disrupt our operations, damage our facilities and systems, cause the *release of greenhouse gases, radioactive materials and harmful emissions, cause wildfires and subject us to third-party liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits) or may be disputed by insurers; cybersecurity threats to the energy grid, storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers and employees; capital markets and economic conditions, including the availability of credit and the liquidity of our investments; fluctuations in inflation, interest and currency exchange rates and our ability to effectively hedge the risk of such fluctuations; changes in the tax code as a result of potential federal tax reform, such as the elimination of the deduction for interest and non-deductibility of all, or a portion of, the cost of imported materials, equipment and commodities; changes in foreign and domestic trade policies and laws, including border tariffs, revisions to favorable international trade agreements, and changes that make our exports less competitive or otherwise restrict our ability to export; the ability to win competitively bid infrastructure projects against a number of strong and aggressive competitors; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of San Diego Gas & Electric Company's (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates due to the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E's electric transmission and distribution system and from possible departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation or other forms of distributed and local power generation, and the potential risk of nonrecovery for stranded assets and contractual obligations; and other uncertainties, some of which may be difficult to predict and are beyond our control.*

These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the U.S. Securities and Exchange Commission. These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on the company's website at www.sempra.com. Investors should not rely unduly on any forward-looking statements. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

Sempra South American Utilities, Sempra Infrastructure, Sempra LNG & Midstream, Sempra Renewables, Sempra Mexico and Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) are not the same as the California Utilities, San Diego Gas & Electric Company (SDG&E) or Southern California Gas Company (SoCalGas), and are not regulated by the California Public Utilities Commission.

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