

SEMPRA ENERGY  
 Form 10-Q  
 November 03, 2015

UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

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 Registrants as Specified in their Charters, Address and Telephone Number	States of Incorporation	I.R.S. Employer Identification Nos.	Former name, former address and former fiscal year, if changed since last report
1-14201	SEMPRA ENERGY 488 8th Avenue San Diego, California 92101 (619)696-2000	California	33-0732627	No change
1-03779	SAN DIEGO GAS & ELECTRIC COMPANY 8326 Century Park Court San Diego, California 92123 (619)696-2000	California	95-1184800	No change
1-01402	SOUTHERN CALIFORNIA GAS COMPANY 555 West Fifth Street Los Angeles, California 90013 (213)244-1200	California	95-1240705	No change



Southern California Gas  
Company

SEMPRA ENERGY FORM 10-Q  
SAN DIEGO GAS & ELECTRIC COMPANY FORM 10-Q  
SOUTHERN CALIFORNIA GAS COMPANY FORM 10-Q  
TABLE OF CONTENTS

	Page
Information Regarding Forward-Looking Statements	4
<b>PART I – FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	82
Item 3. Quantitative and Qualitative Disclosures About Market Risk	126
Item 4. Controls and Procedures	127
<b>PART II – OTHER INFORMATION</b>	
Item 1. Legal Proceedings	128
Item 1A. Risk Factors	128
Item 6. Exhibits	128
Signatures	130

This combined Form 10-Q is separately filed by Sempra Energy, San Diego Gas & Electric Company and Southern California Gas Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes representations only as to itself and makes no other representation whatsoever as to any other company.

You should read this report in its entirety as it pertains to each respective reporting company. No one section of the report deals with all aspects of the subject matter. Separate Part I – Item 1 sections are provided for each reporting company, except for the Notes to Condensed Consolidated Financial Statements. The Notes to Condensed Consolidated Financial Statements for all of the reporting companies are combined. All Items other than Part I – Item 1 are combined for the reporting companies.

---

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this report that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are necessarily based upon assumptions with respect to the future, involve risks and uncertainties, and are not guarantees of performance. These forward-looking statements represent our estimates and assumptions only as of the filing date of this report. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors.

In this report, when we use words such as “believes,” “expects,” “anticipates,” “plans,” “estimates,” “projects,” “forecasts,” “contemplates,” “intends,” “depends,” “should,” “could,” “would,” “will,” “confident,” “may,” “potential,” “possible,” “propose,” “pursue,” “goals,” “outlook,” “maintain,” or similar expressions, or when we discuss our guidance, strategy, plans, goals, opportunities, projections, initiatives, objectives or intentions, we are making forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in forward-looking statements include

§ local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments;

§ actions and the timing of actions, including issuances of permits to construct and licenses for operation, by the California Public Utilities Commission, California State Legislature, U.S. Department of Energy, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Atomic Safety and Licensing Board, California Energy Commission, U.S. Environmental Protection Agency, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate;

§ the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects;

§ energy markets, including the timing and extent of changes and volatility in commodity prices, and the impact of any protracted reduction in oil and natural gas prices from historical averages;

§ the impact on the value of our natural gas storage assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for natural gas storage services;

§ delays in the timing of costs incurred and the timing of the regulatory agency authorization to recover such costs in rates from customers;

§ deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers;

§ capital markets conditions, including the availability of credit and the liquidity of our investments;

§ inflation, interest and currency exchange rates;

§ the impact of benchmark interest rates, generally Moody’s A-rated utility bond yields, on our California Utilities’ cost of capital;

§ 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 North American transmission grid, pipeline explosions and equipment failures and the decommissioning of San Onofre Nuclear Generating Station (SONGS);

§ cybersecurity threats to the energy grid, natural gas 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, terrorist attacks that threaten system operations and critical infrastructure, and wars;

§ the ability to win competitively bid infrastructure projects against a number of strong competitors willing to aggressively bid for these projects;

§ weather conditions, conservation efforts, natural disasters, catastrophic accidents, and other events that may disrupt our operations, damage our facilities and systems, and subject us to third-party liability for property damage or personal injuries;

§ risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments;

§ risks posed by decisions and actions of third parties who control the operations of investments in which we do not have a controlling interest;

§ risks inherent with nuclear power facilities and radioactive materials storage, including the catastrophic release of such materials, the disallowance of the recovery of the investment in, or operating costs of, the nuclear facility due to an extended outage and facility closure, and increased regulatory oversight, including motions to modify settlements;

§ business, regulatory, environmental and legal decisions and requirements;

§ 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 and increased reliance on natural gas and natural gas transmission systems;

§ the impact on competitive customer rates of 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;

§ the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements due to insufficient market interest, unattractive pricing or other factors;

§ the resolution of litigation; and

§ other uncertainties, all of which are difficult to predict and many of which are beyond our control.

We caution you not to rely unduly on any forward-looking statements. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described herein and in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

## PART I – FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**SEMPRA ENERGY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars in millions, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(unaudited)			
<b>REVENUES</b>				
Utilities	\$ 2,213	\$ 2,463	\$ 6,768	\$ 7,318
Energy-related businesses	268	352	762	970
Total revenues	2,481	2,815	7,530	8,288
<b>EXPENSES AND OTHER INCOME</b>				
Utilities:				
Cost of natural gas	(201)	(293)	(786)	(1,308)
Cost of electric fuel and purchased power	(666)	(680)	(1,645)	(1,761)
Energy-related businesses:				
Cost of natural gas, electric fuel and purchased power	(91)	(163)	(262)	(427)
Other cost of sales	(34)	(42)	(111)	(122)
Operation and maintenance	(701)	(726)	(2,072)	(2,131)
Depreciation and amortization	(315)	(292)	(925)	(866)
Franchise fees and other taxes	(111)	(104)	(314)	(301)
Plant closure adjustment			21	13
Gain on sale of equity interests and assets		19		