

SEMPRA ENERGY
Form 10-Q
August 04, 2016

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 June 30, 2016

or

TRANSITION REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from to

File No.	Exact Name of Registrants as Specified in their Charters, Address and Telephone Number	I.R.S. States of Incorporation	Employer Identification Nos.	Former name, former address and former fiscal year, if changed since last report No change
1-14201	SEMPRA ENERGY 488 8 th Avenue San Diego, California	California	33-0732627	

92101
(619)696-2000

1-03779	SAN DIEGO GAS & ELECTRIC COMPANY 8326 Century Park Court San Diego, California 92123 (619)696-2000	California95-1184800	No change
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1-01402	SOUTHERN CALIFORNIA GAS COMPANY 555 West Fifth Street Los Angeles, California 90013 (213)244-1200	California95-1240705	No change
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Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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).

Sempra Energy	Yes	X	No
San Diego Gas & Electric Company	Yes	X	No
Southern California Gas Company	Yes	X	No

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
Sempra Energy	[X]	[]	[]	[]
San Diego Gas & Electric Company	[]	[]	[X]	[]
Southern California Gas Company	[]	[]	[X]	[]

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

Sempra Energy	Yes	No	X
San Diego Gas & Electric Company	Yes	No	X
Southern California Gas Company	Yes	No	X

Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of the latest practicable date.

Common stock outstanding on July 29, 2016:

Sempra Energy	249,801,432 shares
San Diego Gas & Electric Company	Wholly owned by Enova Corporation, which is wholly owned by Sempra Energy
Southern California Gas Company	Wholly owned by Pacific Enterprises, which is wholly owned by Sempra Energy

SEMPRA ENERGY FORM 10-Q
 SAN DIEGO GAS & ELECTRIC COMPANY FORM 10-Q
 SOUTHERN CALIFORNIA GAS COMPANY FORM 10-Q
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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," "assumes," "depends," "should," "could," "would," "will," "confident," "may," "potential," "possible," "proposed," "target," "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, legal and regulatory conditions, decisions and developments;
- actions and the timing of actions, including general rate case decisions, new regulations, issuances of permits to construct, operate, and maintain facilities and equipment and to use land, franchise agreements and licenses for operation, by the California Public Utilities Commission, California State Legislature, U.S. Department of Energy, California Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, California Energy Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Administration, California Air Resources Board, South Coast Air Quality Management District, Los Angeles County Department of Public Health, Mexican Competition Commission, states, cities and counties, and other regulatory and governmental bodies in the 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,
- § risks in obtaining the consent of our partners, and risks in obtaining adequate and competitive financing for such projects;
- § 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, and delays in, or disallowance or denial of, regulatory agency authorization to recover costs in rates from customers;

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, moratoriums on the ability to withdraw natural gas from or inject natural gas into storage facilities, pipeline explosions and equipment failures; energy markets; the timing and extent of changes and volatility in commodity prices; and the impact on the value of § our natural gas storage and related assets and our investments 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;

risks posed by decisions and actions of third parties who control the operations of investments in which we do not § have a controlling interest, and risks that our partners or counterparties will be unable (due to liquidity issues, bankruptcy or otherwise) or unwilling to fulfill their contractual commitments;

weather conditions, natural disasters, catastrophic accidents, equipment failures, terrorist attacks and other events that may disrupt our operations, damage our facilities and systems, cause the release of greenhouse gasses, § radioactive materials and harmful emissions, 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, 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 and employees;

§ failure to obtain regulatory approval for projects required to enhance safety and reliability;

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

§ capital markets conditions, including the availability of credit and the liquidity of our investments, and inflation, interest and currency exchange rates;

§ disallowance of regulatory assets associated with, or decommissioning costs of, the San Onofre Nuclear Generating Station facility due to increased regulatory oversight, including motions to modify settlements;

§ 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; 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 and other reports that we file 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 June 30, 2016		Six months ended June 30, 2016	
	2015	2016	2015	2016
(unaudited)				
REVENUES				
Utilities	\$2,133	\$1,994	\$4,436	\$4,555
Energy-related businesses	234	162	342	494
Total revenues	2,367	2,156	4,778	5,049
EXPENSES AND OTHER INCOME				
Utilities:				
Cost of natural gas	(239)	(183)	(494)	(585)
Cost of electric fuel and purchased power	(498)	(561)	(1,076)	(979)
Energy-related businesses:				
Cost of natural gas, electric fuel and purchased power	(73)	(67)	(118)	(171)
Other cost of sales Operation and maintenance	(713)	(727)	(1,428)	(1,371)

Depreciation and amortization	(314)	(307)	(642)	(610)
Franchise fees and other taxes	(96)	(96)	(207)	(203)
Plant closure adjustment				21
Gain on sale of assets	62			62
Equity earnings (losses), before income tax	14	27	(8)	46
Other income, net	37	37	72	76
Interest income	6	10	12	17
Interest expense (Loss)	(142)	(139)	(285)	(273)
income before income taxes and equity earnings of certain unconsolidated subsidiaries	(112)	396	343	1,002
Income tax benefit (expense)	106	(98)	(36)	(261)
Equity earnings, net of income tax	33	22	50	37

Net income	320	357	778
Earnings attributable to noncontrolling interests	(24)	(21)	(45)
Preferred dividends of subsidiary	(1)	(1)	(1)
Earnings	\$295	\$335	\$732
Basic earnings per common share	\$1.19	\$1.34	\$2.95
Weighted-average number of shares outstanding, basic	250,096	248,108	249,915
(thousands)			247,916
Diluted earnings per common share	\$1.17	\$1.33	\$2.91
Weighted-average number of shares outstanding, diluted	251,938	251,491	251,686
(thousands)			251,264
Dividends declared per share of common stock	\$0.75	\$0.70	\$1.51
See Notes to Condensed Consolidated			\$1.40

Financial
Statements.SEMPRA ENERGY
CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE
INCOME (LOSS)

(Dollars in millions)

Pretax amount	Income tax benefit (expense)	Net-of-tax amount	Noncontrolling interests (after-tax)	Total	
Sempra Energy shareholders' equity					
Three months ended June 30, 2016 and 2015 (unaudited)					
2016:					
Net (16)	(\$9)	\$ 106	\$ 17	\$ 10	\$27
income					
Other comprehensive income (loss):					
Foreign currency translation adjustments					
11			11		11
Financial instruments					
(78)	35		(43)	1	(42)
Pension and other postretirement benefits					
2	(1)		1		1
Total other comprehensive (loss) income					
(65)	34		(31)	1	(30)
Comprehensive (loss) income					
(154)	140		(14)	11	(3)
Preferred dividends of subsidiary Comprehensive (loss) income,					
(1)			(1)		(1)

after preferred dividends of	(\$155)	\$ 140	\$ (15)	\$ 11	\$(4)
subsidiary 2015:					
Net income	\$394	\$ (98)	\$ 296	\$ 24	\$320
Other comprehensive income (loss):					
Foreign currency translation adjustments	(43)		(43)	(5)	(48)
Financial instruments	95	(36)	59	6	65
Pension and other postretirement benefits	(1)		1		1
Total other comprehensive income	54	(37)	17	1	18
Comprehensive income	448	(135)	313	25	338
Preferred dividends of	(1)		(1)		(1)
subsidiary Comprehensive income, after preferred dividends of	\$447	\$ (135)	\$ 312	\$ 25	\$337
subsidiary					

Six months ended June 30, 2016
and 2015
(unaudited)

2016:					
Net income	\$372	\$(36)	\$336	\$21	\$357
Other comprehensive income					

(loss):				
Foreign				
currency				
translation	79	5	84	
adjustments				
Financial				
instruments	(237)	110	(127)	(4)
(131)				
Pension				
and				
other	(2)	2		2
postretirement				
benefits				
Total				
other				
comprehensive	(54)	108	(46)	1
(loss)				
income				
Comprehensive	218	72	290	22
income				
Preferred				
dividends	(1)	(1)		(1)
of				
subsidiary				
Comprehensive				
income,				
after				
preferred				
dividends				
of	\$217	\$72	\$289	\$22
subsidiary				
2015:				
Net	\$994	\$(261)	\$733	\$45
income				
Other				
comprehensive				
income				
(loss):				
Foreign				
currency				
translation	(105)	(13)	(118)	
adjustments				
Financial				
instruments	(6)	(2)	4	1
5				
Pension				
and				
other	(2)	2		2
postretirement				
benefits				
Total	(4)	(99)	(12)	(111)
other				
comprehensive				

loss
 Comprehensive
 income 899 (265) 634 33 667
 Preferred
 dividends
 of (1) (1) (1)
 subsidiary
 Comprehensive
 income,
 after
 preferred
 dividends
 of \$898 \$(265) \$633 \$33 \$666
 subsidiary
 See Notes to Condensed
 Consolidated Financial Statements.

SEMPRA ENERGY
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Dollars in millions)

	June 30, 2016 (unaudited)	December 31, 2015(1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 616	\$403
Restricted cash	17	27
Accounts receivable – trade, net	994	1,283
Accounts receivable – other	140	190
Due from unconsolidated affiliates	6	6
Income taxes receivable	36	30
Inventories	270	298
Regulatory balancing accounts – undercollected	336	307
Fixed-price contracts and other derivatives	65	80
Assets held for sale	654	
Other	207	267
Total current assets	3,341	2,891
Other assets:		
Restricted cash	18	20
Due from unconsolidated affiliates	192	186
Regulatory assets	3,353	3,273
Nuclear decommissioning trusts	1,103	1,063
Investments	2,267	2,905
Goodwill	786	819

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Other intangible assets	399	404
Dedicated assets in support of certain benefit plans	436	464
Insurance receivable for Aliso Canyon costs	679	325
Sundry	806	761
Total other assets	10,039	10,220
Property, plant and equipment:		
Property, plant and equipment	39,756	38,200
Less accumulated depreciation and amortization	(10,261)	(10,161)
Property, plant and equipment, net (\$372 and \$383 at June 30, 2016 and December 31, 2015, respectively, related to VIE)	29,495	28,039
Total assets	\$ 42,875	\$ 41,150

(1) Derived from audited financial statements.
See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONDENSED CONSOLIDATED BALANCE SHEETS
(CONTINUED)
(Dollars in millions)

	June 30, 2016 (unaudited)	December 31, 2015(1)
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 1,777	\$ 622
Accounts payable – trade	1,140	1,133
Accounts payable – other	101	142
Due to unconsolidated affiliates	8	14
Dividends and interest payable	314	303
Accrued compensation and benefits	289	423
Regulatory balancing accounts – overcollected	120	34
Current portion of long-term debt	907	907
Fixed-price contracts and other derivatives	54	56
Customer deposits	150	153
Reserve for Aliso Canyon costs	117	274
Liabilities held for sale	222	
Other	481	551
Total current liabilities	5,680	4,612
Long-term debt (\$298 and \$303 at June 30, 2016 and December 31, 2015, respectively, related to VIE)	13,178	13,134

Deferred credits and other liabilities:		
Customer advances for construction	152	149
Pension and other postretirement benefit plan obligations, net of plan assets	1,171	1,152
Deferred income taxes	3,071	3,157
Deferred investment tax credits	32	32
Regulatory liabilities arising from removal obligations	2,891	2,793
Asset retirement obligations	2,491	2,126
Fixed-price contracts and other derivatives	262	240
Deferred credits and other	1,384	1,176
Total deferred credits and other liabilities	11,454	10,825

Commitments and contingencies (Note 11)

Equity:

Preferred stock (50 million shares authorized; none issued)		
Common stock (750 million shares authorized; 250 million and 248 million shares outstanding at June 30, 2016 and December 31, 2015, respectively; no par value)	2,681	2,621
Retained earnings	9,952	9,994
Accumulated other comprehensive income (loss)	(852)	(806)
Total Sempra Energy shareholders' equity	11,781	11,809
Preferred stock of subsidiary	20	20
Other noncontrolling interests	762	750
Total equity	12,563	12,579
Total liabilities and equity	\$ 42,875	\$ 41,150

(1) Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

SEMPRA
ENERGY
CONDENSED
CONSOLIDATED
STATEMENTS OF
CASH FLOWS

(Dollars in millions)

Six months ended
June 30,
2016 2015
(unaudited)

CASH
 FLOWS
 FROM
 OPERATING
 ACTIVITIES

Net
 \$357 \$778
 income

Adjustments
 to
 reconcile
 net
 income
 to
 net
 cash
 provided
 by
 operating
 activities:

Depreciation
 and 642 610
 amortization

Deferred
 income
 taxes
 and (42) 203
 investment
 tax
 credits

Gain
 on
 sale (62)
 of
 assets

Plant
 closure (21)
 adjustment

Equity
 (42) (83)
 earnings

Fixed-price
 contracts
 and 41
 other
 derivatives

33 Other (8)

~~67~~ (116)

change
 in
 other
 working
 capital

components

Insurance

receivable

for (354)

Aliso

Canyon

costs

Changes

in (67) (89)

other

assets

Changes

in 147 7

other

liabilities

Net

cash

provided 882 1,219

by

operating

activities

CASH

FLOWS

FROM

INVESTING

ACTIVITIES

Expenditures

for

property (2,006) (1,466)

plant

and

equipment

Expenditures

for

investments

and (46) (161)

acquisition

of

business

Proceeds

from

sales 443 347

of

assets

Distributions

from 2 9

investments

from (229)

of

nuclear

decommissioning
and
other
trust
assets
 Proceeds
from
sales
by
nuclear 221
decommissioning
and
other
trusts
 Increases
in (32) (34)
restricted
cash
 Decreases
in 44 49
restricted
cash
 Advances
to (9) (20)
unconsolidated
affiliates
 Repayments
of
advances 9 74
to
unconsolidated
affiliates
 Other 9
Net
cash
used
in (1,593) (1,201)
investing
activities

CASH
FLOWS
FROM
FINANCING
ACTIVITIES

Common
dividends (35) (308)
paid
 Referred (1)
dividends
paid

by
 subsidiary
 Issuances
 of 29 31
 common
 stock
 Repurchases
 of (54) (66)
 common
 stock
 Issuances
 of
 debt
 (maturities
 1,384 1,547
 greater
 than
 90
 days)
 Payments
 on
 debt
 (maturities
 986) (846)
 greater
 than
 90
 days)
 Increase
 (decrease)
 in 865 (339)
 short-term
 debt,
 net
 Net
 distributions
 to (10) (14)
 noncontrolling
 interests
 Tax
 benefit
 related
 to 34 52
 share-based
 compensation
 Other (10) (6)
 Net
 cash
 provided
 by 916 50
 financing
 activities

Effect
of
exchange
rate
changes
on
cash
and
cash
equivalents

Increase
in
cash
and
cash
equivalents

Cash
and
cash
equivalents,
January

1
Cash
and
cash
equivalents,
June

30
See
Notes
to
Condensed
Consolidated
Financial
Statements.

SEMPRA
ENERGY
CONDENSED
CONSOLIDATED
STATEMENTS OF
CASH FLOWS
(CONTINUED)

(Dollars in
millions)

Six months
ended June 30,

2016 2015
 (unaudited)
 SUPPLEMENTAL
 DISCLOSURE
 OF
 CASH
 FLOW
 INFORMATION

Interest payments, net of amounts capitalized	\$ 279	\$ 260
Income tax payments, net of refunds	73	72

SUPPLEMENTAL
 DISCLOSURE
 OF
 NONCASH
 INVESTING
 AND
 FINANCING
 ACTIVITIES

Acquisition of business:		
Assets acquired	\$ 10	
Liabilities assumed	(2)	
Accrued purchase price	(6)	
Cash paid	\$ 2	

Accrued capital expenditures	\$ 541	\$ 302
Financing of build-to-suit property	39	
Redemption of	79	

industrial
development
bonds
Common
dividends
issued 27
in
stock
Dividends
declared
but 195 178
not
paid
See Notes to
Condensed
Consolidated
Financial
Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF
OPERATIONS
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	(unaudited)			
Operating revenues				
Electric	\$897	\$874	\$1,740	\$1,679
Natural gas	95	98	243	259
Total operating revenues	992	972	1,983	1,938
Operating expenses				
Cost of electric fuel and purchased power	314	251	562	479
Cost of natural gas	25	31	64	85
Operation and maintenance	266	255	512	472
Depreciation and amortization	158	149	317	294
Franchise fees and other taxes	59	59	122	120
Plant closure adjustment				(21)
Total operating expenses	822	745	1,577	1,429
Operating income	170	227	406	509
Other income, net	13	9	27	18
Interest expense	(48)	(52)	(96)	(104)
Income before income taxes	135	184	337	423
Income tax expense	(48)	(54)	(120)	(142)
Net income	87	130	217	281
Losses (earnings) attributable to noncontrolling interest	13	(4)	12	(8)

Earnings attributable to common shares \$100 \$126 \$229 \$273
See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME (LOSS)

(Dollars in millions)

	SDG&E shareholder's equity				
	Pretax amount	Income tax expense	Net-of-tax amount	Noncontrolling interest (after-tax)	Total
Three months ended June 30, 2016 and 2015 (unaudited)					
2016:					
Net income (loss)	\$148	\$ (48)	\$ 100	\$ (13)	\$87
Other comprehensive income (loss):					
Financial instruments				1	1
Total other comprehensive income				1	1
Comprehensive income (loss)	\$148	\$ (48)	\$ 100	\$ (12)	\$88
2015:					
Net income	\$180	\$ (54)	\$ 126	\$ 4	\$130
Other comprehensive income (loss):					
Financial instruments				3	3
Total other comprehensive income				3	3
Comprehensive income	\$180	\$ (54)	\$ 126	\$ 7	\$133
Six months ended June 30, 2016 and 2015 (unaudited)					
2016:					
Net income (loss)	\$349	\$(120)	\$229	\$(12)	\$217
Other comprehensive income (loss):					
Financial instruments			(1)	(1)	
Total other comprehensive loss			(1)	(1)	
Comprehensive income (loss)	\$349	\$(120)	\$229	\$(13)	\$216
2015:					
Net income	\$415	\$(142)	\$273	\$8	\$281
Other comprehensive income (loss):					
Financial instruments			1	1	
Total other comprehensive income			1	1	
Comprehensive income	\$415	\$(142)	\$273	\$9	\$282

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	June 30, 2016 (unaudited)	December 31, 2015(1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8	\$ 20
Restricted cash	17	23
Accounts receivable – trade, net	310	331
Accounts receivable – other	14	17
Due from unconsolidated affiliates	163	1
Income taxes receivable	33	1
Inventories	71	75
Regulatory balancing accounts – net undercollected	336	307
Regulatory assets	93	107
Fixed-price contracts and other derivatives	39	53
Other	42	69
Total current assets	1,126	1,004
Other assets:		
Restricted cash	3	
Deferred taxes recoverable in rates	938	914
Other regulatory assets	933	977
Nuclear decommissioning trusts	1,103	1,063
Sundry	335	301
Total other assets	3,312	3,255
Property, plant and equipment:		
Property, plant and equipment	17,000	16,458
Less accumulated depreciation and amortization	(4,399)	(4,202)
Property, plant and equipment, net (\$372 and \$383 at June 30, 2016 and December 31, 2015, respectively, related to VIE)	12,601	12,256
Total assets	\$ 17,039	\$ 16,515

(1) Derived from audited financial statements.

See Notes to Condensed Consolidated
Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(CONTINUED)

(Dollars in millions)

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	June 30, 2016 (unaudited)	December 31, 2015(1)
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 54	\$ 168
Accounts payable	375	377
Due to unconsolidated affiliates	190	55
Interest payable	40	39
Accrued compensation and benefits	77	129
Accrued franchise fees	31	66
Current portion of long-term debt	191	50
Asset retirement obligations	63	99
Fixed-price contracts and other derivatives	37	51
Customer deposits	72	72
Other	88	101
Total current liabilities	1,218	1,207
Long-term debt (\$298 and \$303 at June 30, 2016 and December 31, 2015, respectively, related to VIE)	4,681	4,455
Deferred credits and other liabilities:		
Customer advances for construction	50	46
Pension and other postretirement benefit plan obligations, net of plan assets	221	212
Deferred income taxes	2,523	2,472
Deferred investment tax credits	20	19
Regulatory liabilities arising from removal obligations	1,743	1,629
Asset retirement obligations	765	729
Fixed-price contracts and other derivatives	98	106
Deferred credits and other	406	364
Total deferred credits and other liabilities	5,826	5,577
Commitments and contingencies (Note 11)		
Equity:		
Common stock (255 million shares authorized; 117 million shares outstanding; no par value)	1,338	1,338
Retained earnings	3,947	3,893
Accumulated other comprehensive income (loss)	(8)	(8)
Total SDG&E shareholder's equity	5,277	5,223
Noncontrolling interest	37	53
Total equity	5,314	5,276
Total liabilities and equity	\$ 17,039	\$ 16,515

(1) Derived from audited financial statements.
See Notes to Condensed Consolidated
Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Dollars in millions)

	Six months ended June 30, 2016 2015 (unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$217	\$281
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	317	294
Deferred income taxes and investment tax credits	26	103
Plant closure adjustment		(21)
Fixed-price contracts and other derivatives	(1)	(2)
Other	(21)	(9)
Net change in other working capital components		(40)
Changes in other assets	(39)	(59)
Changes in other liabilities	9	3
Net cash provided by operating activities	508	550
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(602)	(600)
Purchases of nuclear decommissioning trust assets	(203)	(227)
Proceeds from sales by nuclear decommissioning trusts	204	221
Increases in restricted cash	(21)	(19)
Decreases in restricted cash	24	19
Increase in loans to affiliate	(172)	
Net cash used in investing activities	(770)	(606)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of debt (maturities greater than 90 days)	498	388
Payments on debt (maturities greater than 90 days)	(128)	(105)
Decrease in short-term debt, net	(114)	(206)
Capital distributions made by VIE	(3)	(6)
Other	(3)	
Net cash provided by financing activities	250	71
(Decrease) increase in cash and cash equivalents	(12)	15
Cash and cash equivalents, January 1	20	8
Cash and cash equivalents, June 30	\$8	\$23
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	\$92	\$99
Income tax payments, net	125	99
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		

Dividends declared but not paid	\$175	\$
Accrued capital expenditures	124	118

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY
CONDENSED STATEMENTS OF
OPERATIONS
(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	(unaudited)			
Operating revenues	\$617	\$780	\$1,650	\$1,828
Operating expenses				
Cost of natural gas	147	196	400	463
Operation and maintenance	339	346	666	660
Depreciation and amortization	112	113	234	226
Franchise fees and other taxes	30	31	67	65
Total operating expenses	628	686	1,367	1,414
Operating (loss) income	(11)	94	283	414
Other income, net	6	9	16	17
Interest income		3		3
Interest expense	(24)	(19)	(46)	(38)
(Loss) income before income taxes	(29)			