

SAN DIEGO GAS & ELECTRIC CO  
 Form 10-Q  
 August 02, 2012

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, 2012

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 101 Ash Street 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

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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 30, 2012:

Sempra Energy	241,699,518 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

SAN DIEGO GAS & ELECTRIC 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,” “contemplates,” “intends,” “depends,” “should,” “could,” “would,” “will,” “may,” “potential,” “target,” “pursue,” “goals,” or similar expressions to discuss our guidance, strategy, plans, goals, 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 by the California Public Utilities Commission, California State Legislature, Federal Energy Regulatory Commission, U.S. Department of Energy, Nuclear Regulatory Commission, California Energy Commission, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate;

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

- § inflation, interest and exchange rates;

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

- § the timing and success of business development efforts and construction, maintenance and capital projects, including risks inherent in the ability to obtain, and the timing of granting of, permits, licenses, certificates and other authorizations;

- § energy markets, including the timing and extent of changes and volatility in commodity prices;

- § the availability of electric power, natural gas and liquefied natural gas, including disruptions caused by failures in the North American transmission grid, pipeline explosions and equipment failures;

- § weather conditions, natural disasters, catastrophic accidents, and conservation efforts;

- § risks inherent in nuclear power generation 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 generation facility

due to an extended outage, and increased regulatory oversight;

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

§ wars, terrorist attacks and cybersecurity threats;

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

§ expropriation of assets by foreign governments and title and other property disputes;

§ the status of deregulation of retail natural gas and electricity delivery;

§ the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements;

§ 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 in this report and in our 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,		Six months ended June 30,	
	2012	2011(1)	2012	2011(1)
	(unaudited)			
<b>REVENUES</b>				
Utilities	\$ 1,838	\$ 1,922	\$ 3,929	\$ 3,868
Energy-related businesses	251	500	543	988
Total revenues	2,089	2,422	4,472	4,856
<b>EXPENSES AND OTHER INCOME</b>				
Utilities:				
Cost of natural gas	(221)	(403)	(652)	(1,045)
Cost of electric fuel and purchased power	(349)	(397)	(737)	(568)
Energy-related businesses:				
Cost of natural gas, electric fuel and purchased power	(81)	(212)	(210)	(442)
Other cost of sales	(41)	(32)	(74)	(55)
Operation and maintenance	(720)	(673)	(1,391)	(1,312)
Depreciation and amortization	(266)	(248)	(523)	(478)
Franchise fees and other taxes	(79)	(80)	(175)	(175)
Equity (losses) earnings, before income tax:				
Rockies Express Pipeline LLC	(290)	10	(279)	19
Other	(3)	(3)	(2)	(11)
Remeasurement of equity method investments		277		277
Other income, net	18	31	93	74
Interest income	4	12	9	15
Interest expense	(113)	(118)	(226)	(226)
(Losses) income before income taxes and equity earnings				
of certain unconsolidated subsidiaries	(52)	586	305	929
Income tax benefit (expense)	118	(100)	1	(214)
Equity earnings, net of income tax	8	8	19	39
Net income	74	494	325	754
(Earnings) losses attributable to noncontrolling interests				
	(11)	12	(24)	8
Preferred dividends of subsidiaries	(1)	(3)	(3)	(5)
Earnings	\$ 62	\$ 503	\$ 298	\$ 757
Basic earnings per common share	\$ 0.26	\$ 2.10	\$ 1.24	\$ 3.16
Weighted-average number of shares outstanding, basic (thousands)	241,141	239,415	240,853	239,769

Diluted earnings per common share	\$	0.25	\$	2.09	\$	1.21	\$	3.14
Weighted-average number of shares outstanding, diluted (thousands)		246,260		240,761		245,766		241,154
Dividends declared per share of common stock	\$	0.60	\$	0.48	\$	1.20	\$	0.96

(1) As adjusted for the retrospective effect of a change in accounting principle as we discuss in Note 1.

See Notes to Condensed Consolidated  
Financial Statements.

**SEMPRA ENERGY**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Dollars in millions)

	Three months ended June 30,					
	2012			2011(1)		
	Sempra Energy	Non- controlling Interests	Total	Sempra Energy	Non- controlling Interests	Total
Net income (loss)	\$ 63	\$ 11	\$ 74	\$ 506	\$ (12)	\$ 494
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	(33)	(1)	(34)	29	6	35
Reclassification to net income of foreign currency translation adjustments related to equity method investments(2)				(54)		(54)
Net actuarial gain	4		4	5		5
Financial instruments	(9)	(9)	(18)	(6)	(10)	(16)
Total other comprehensive loss	(38)	(10)	(48)	(26)	(4)	(30)
Total comprehensive income (loss)	25	1	26	480	(16)	464
Preferred dividends of subsidiaries	(1)		(1)	(3)		(3)
Total comprehensive income (loss), after preferred dividends of subsidiaries	\$ 24	\$ 1	\$ 25	\$ 477	\$ (16)	\$ 461
				Six months ended June 30,		
			2012			