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

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 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	101 Ash Street San Diego, California 92101
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

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, 2015:

Sempra Energy	247,915,696 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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- 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;
- 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;
-

SEMPRA ENERGY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)

	Sempra Energy shareholders' equity				
	Pretax amount	Income tax (expense) benefit	Net-of-tax amount	Noncontrolling interests (after-tax)	Total
	Three months ended June 30, 2015 and 2014				
	(unaudited)				
2015:					
Net income	$ 394	$ (98)	$ 296	$ 24	$ 320
Other comprehensive income (loss):					
Foreign currency translation adjustments	(43)	—	(43)	(5)	(48)
Pension and other postretirement benefits	2	(1)	1	—	1
Financial instruments	95	(36)	59	6	65
Total other comprehensive income	54	(37)	17	1	18
Comprehensive income	448	(135)	313	25	338
Preferred dividends of subsidiary					

SEMPRA ENERGY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	June 30, 2015 (unaudited)	December 31, 2014(1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 636	$ 570
Restricted cash	8	11

SEMPRA ENERGY

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Dollars in millions)

	June 30, 2015 (unaudited)	December 31, 2014(1)

SEMPRA ENERGY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

	Six months ended June 30,	
	2015	2014
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 778	$ 558
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	610	574
Deferred income taxes and investment tax credits	203	105
Gain on sale of equity interest and assets	(62)	(29)
Plant closure adjustment	(21)	(13)
Equity earnings	(83)	(55)
Fixed-price contracts and other derivatives	—	(17)
Other	(8)	(6)
Net change in other working capital components	(116)	(125)
Changes in other assets	(89)	21
Changes in other liabilities	7	21
Net cash provided by operating activities	1,219	1,034
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(1,466)	(1,513)
Expenditures for investments and acquisition of business	(161)	(160)
Proceeds from sale of equity interest and assets, net of cash sold	347	66
Distributions from investments	9	6
Purchases of nuclear decommissioning and other trust assets	(229)	(356)
Proceeds from sales by nuclear decommissioning and other trusts	221	350
Decrease in restricted cash	49	87
Increase in restricted cash	(34)	(87)
Advances to unconsolidated affiliates	(20)	(24)
Repayments of advances to unconsolidated affiliates	74	—
Other	9	10
Net cash used in investing activities	(1,201)	(1,621)

CASH FLOWS FROM FINANCING ACTIVITIES Expenditures forPr-5.7(a)1BTiderom inve.000148(y)12. Eq6.24 507missi488su4 507mbsierta

SEMPRA ENERGY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Dollars in millions)

	Six months ended June 30,	
	2015	2014
	(unaudited)	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments, net of amounts capitalized	$ 260	$ 269
Income tax payments, net of refunds	72	148
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	$ 302	$ 287
Redemption of industrial development bonds	79	—
Increase in capital lease obligations for investment in property, plant and equipment	—	60
Dividends declared but not paid	178	165
Financing of build-to-suit property	39	32

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,	
	2015	2014	2015	2014
	(unaudited)			
Operating revenues				
Electric	$ 874	$ 948	$ 1,679	$ 1,759
Natural gas	98	115	259	291
Total operating revenues	972	1,063	1,938	2,050
Operating expenses				
Cost of electric fuel and purchased power	251	329	479	595
Cost of natural gas	31	51	85	126
Operation and maintenance	255	256	472	508
Depreciation	149	131	294	261
Franchise fees and other taxes	59	54	120	110
Plant closure adjustment	—	—	(21)	(13)
Total operating expenses	745	821	1,429	1,587
Operating income	227	242	509	463
Other income, net	9	7	18	20
Interest expense	(52)	(51)	(104)	(101)
Income before income taxes	184	198	423	382
Income tax expense	(54)	(69)	(142)	(152)
Net income	130	129	281	230
Earnings attributable to noncontrolling interest	(4)	(6)	(8)	(8)
Earnings attributable to common shares	$ 126	$ 123	$ 273	$ 222

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(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, 2015 and 2014 (unaudited)				
2015:					
Net income	$ 180	$ (54)	$ 126	$ 4	$ 130
Other comprehensive income:					
Financial instruments	—	—	—	3	3
Total other comprehensive income	—	—	—	3	3
Comprehensive income	$ 180	$ (54)	$ 126	$ 7	$ 133
2014:					
Net income	$ 192	$ (69)	$ 123	$ 6	$ 129
Other comprehensive income (loss):					
Pension and other postretirement benefits	2	(1)	1	—	1
Financial instruments	—	—	—	(1)	(1)
Total other comprehensive income (loss)	2	(1)	1	(1)	—
Comprehensive income	$ 194	$ (70)	$ 124	$ 5	$ 129

	Six months ended June 30, 2015 and 2014 (unaudited)				
2015:					
Net income	$ 415	$ (142)	$ 273	$ 8	$ 281
Other comprehensive income:					
Financial instruments	—	—	—	1	1
Total other comprehensive income	—	—	—	1	1
Comprehensive income	$ 415	$ (142)	$ 273	$ 9	$ 282
2014:					
Net income	$ 374	$ (152)	$ 222	$ 8	$ 230
Other comprehensive income (loss):					
Pension and other postretirement benefits	2	(1)	1	—	1
Financial instruments	—	—	—	(1)	(1)
Total other comprehensive income (loss)	2	(1)	1	(1)	—
Comprehensive income	$ 376	$ (153)	$ 223	$ 7	$ 230

See Notes to Condensed Consolidated Financial Statements.

SAN DIEGO GAS & ELECTRIC COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	June 30, 2015 (unaudited)	December 31, 2014(1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23	$ 8
Restricted cash	7	8
Accounts receivable – trade, net	314	285
Accounts receivable – other, net	21	35
Due from unconsolidated affiliates	1	1
Income taxes receivable	59	—
Inventories	67	73
Regulatory balancing accounts – net undercollected	626	711
Regulatory assets	116	54
Fixed-price contracts and other derivatives	40	44
Other	86	125
Total current assets	1,360	1,344
Other assets:		
Restricted cash	12	11
Deferred taxes recoverable in rates	848	824
Other regulatory assets	1,026	1,086
Nuclear decommissioning trusts	1,145	1,131
Sundry	368	282
Total other assets	3,399	3,334
Property, plant and equipment:		
Property, plant and equipment	15,882	15,478
Less accumulated depreciation	(4,008)	(3,860)
Property, plant and equipment, net ($396 and $410 at June 30, 2015 and December 31, 2014, respectively, related to VIE)	11,874	11,618
Total assets	$ 16,633	$ 16,296

(1) Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)

	Pretax amount	Income tax expense	Net-of-tax amount
	Three months ended June 30, 2015 and 2014 (unaudited)		
2015:			
Net income/Comprehensive income	$ 87	$ (16)	$ 71
2014:			
Net income/Comprehensive income	$ 109	$ (28)	$ 81
	Six months ended June 30, 2015 and 2014 (unaudited)		
2015:			
Net income/Comprehensive income	$ 396	$ (111)	$ 285
2014:			
Net income/Comprehensive income	$ 225	$ (66)	$ 159

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	June 30, 2015 (unaudited)	December 31, 2014(1)
ASSETS		
Current assets:		

SOUTHERN CALIFORNIA GAS COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Dollars in millions)

	June 30, 2015 (unaudited)	December 31, 2014(1)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ Š	$ 50
Accounts payable – trade	305	532
Accounts payable – other	66	88
Due to unconsolidated affiliate	Š	13
Income taxes payable	13	Š
Deferred income taxes	146	53
Accrued compensation and benefits	118	129
Current portion of long-term debt	9	Š
Customer deposits	73	75
Other	142	149
Total current liabilities	872	1,089
Long-term debt	2,498	1,906
Deferred credits and other liabilities:		
Customer advances for construction	102	102
Pension obligation, net of plan assets	666	633
Deferred income taxes	1,267	1,212
Deferred investment tax credits	14	16
Regulatory liabilities arising from removal obligations	1,160	1,167
Asset retirement obligations	1,281	1,255
Deferred credits and other	284	300
Total deferred credits and other liabilities	4,774	4,685
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred stock	22	22
Common stock (100 million shares authorized; 91 million shares outstanding; no par value)	866	866
Retained earnings	2,195	1,911
Accumulated other comprehensive income (loss)	(18)	(18)
Total shareholders' equity	3,065	2,781
Total liabilities and shareholders' equity	$ 11,209	$ 10,461

(1) Derived from audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

	Six months ended June 30,	
	2015	2014
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 285	$ 159
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	226	212
Deferred income taxes and investment tax credits	76	59
Other	(15)	(2)
Net change in other working capital components	(58)	61
Changes in other assets	(30)	(27)
Changes in other liabilities	(1)	1
Net cash provided by operating activities	483	463
CASH FLOWS FROM INVESTING ACTIVITIES		

NOTE 1. GENERAL

IMPACT OF SEASONALIZATION AT SEMPRA ENERGY AND SOUTHERN CALIFORNIA GAS COMPANY

In the first quarter of 2015, Southern California Gas Company (SoCalGas) adopted a California Public Utilities Commission (CPUC) decision in the Triennial Cost Allocation Proceeding (TCAP) requiring SoCalGas to recognize annual authorized revenue for core

BASIS OF PRESENTATION

This is a combined report of Sempra Energy, SDG&E and SoCalGas. We provide separate information for SDG&E and SoCalGas as required. References in this report to “we,” “our” and “Sempra Energy Consolidated” are to Sempra Energy and its consolidated entities, unless otherwise indicated by the context. We have eliminated intercompany accounts and transactions within the consolidated financial statements of each reporting entity.

We have prepared the Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and in accordance with the interim-period-reporting requirements of Form 10-Q. Results of operations for interim periods are not necessarily indicative of results for the entire year. We evaluated events and transactions that occurred after June 30, 2015 through the date the financial statements were issued and, in the opinion of management, the accompanying statements reflect all adjustments necessary for a fair presentation. These adjustments are only of a normal, recurring nature.

All December 31, 2014 balance sheet information in the Condensed Consolidated Financial Statements has been derived from our audited 2014 Consolidated Financial Statements in the Annual Report. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the interim-period-reporting provisions of U.S. GAAP and the Securities and Exchange Commission.

We describe our significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report. We follow the same accounting policies for interim reporting purposes, except for the adoption of new accounting standards as we discuss in Note 2.

You should read the information in this Quarterly Report in conjunction with the Annual Report.

Regulated Operations

Sempra South American Utilities has controlling interests in two electric distribution utilities in South America, Chilquinta Energía S.A. (Chilquinta Energía) in Chile and Luz del Sur S.A.A. (Luz del Sur) in Peru. Sempra Natural Gas owns Mobile Gas Service Corporation (Mobile Gas) in southwest Alabama and Willmut Gas Company (Willmut Gas) in Mississippi, and Sempra Mexico owns Ecogas México, S. de R.L. de C.V. (Ecogas) in northern Mexico, all natural gas distribution utilities. The California Utilities, Sempra Natural Gas’ Mobile Gas and Willmut Gas, and Sempra Mexico’s Ecogas prepare their financial statements in accordance with U.S. GAAP provisions governing regulated operations, as we discuss in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

Energy, SDG&E and SoCalGas Condensed Consolidated Balance Sheets and total $88 million, $34 million, and $18 million at June 30, 2015, respectively, and $84 million, $33 million, and $15 million at December 31, 2014, respectively.

NOTE 3. ACQUISITION AND DIVESTITURE ACTIVITY

SEMPRA RENEWABLES

In March 2014, Sempra Renewables formed a joint venture with Consolidated Edison Development (Con Edison Development), a non-related party, by selling a 50-percent interest in its 250-megawatt (MW) Copper Mountain Solar 3 solar power facility for $66 million in cash, net of $2 million cash sold. Sempra Renewables recognized a pretax gain on the sale of $27 million ($16 million after-tax), included in Gain on Sale of Equity Interest and Assets on our Condensed Consolidated Statement of Operations for the six months ended June 30, 2014. Our remaining 50-percent interest in Copper Mountain Solar 3 is accounted for under the equity method. Based on the nature of the underlying assets, this investment is

NOTE 4. INVESTMENTS IN UNCONSOLIDATED ENTITIES

We provide additional information concerning our equity method investments in Notes 3 and 4 of the Notes to Consolidated Financial Statements in the Annual Report.

SEMPRA RENEWABLES

In addition to Sempra Renewables' investment in the California solar partnership discussed in Note 3 above, during the six months ended June 30, 2015 and 2014, Sempra Renewables invested cash of $18 million and $45 million, respectively, in its other joint ventures.

SEMPRA NATURAL GAS

During the six months ended June 30, 2015, Sempra Natural Gas invested $3 million of cash in its joint venture, Cameron LNG Holdings, LLC (Cameron LNG Holdings or Cameron LNG JV), accrued $7 million for a project capital call due and subsequently paid in July 2015, and capitalized $24 million of interest related to this equity method investment that has not commenced planned principal operations.

In April 2015, Sempra Natural Gas invested $113 million of cash in its equity method investment, Rockies Express Pipeline LLC, a partnership that operates the Rockies Express pipeline, to repay project debt that matured in early 2015.

NOTE 5. OTHER FINANCIAL DATA

INVENTORIES

The components of inventories by segment are as follows:

INVENTORY BALANCES

(Dollars in millions)

	Natural gas		Liquefied natural gas		Materials and supplies		Total	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
SDG&E	$ 3	$ 8	$ —	$ —	$ 64	$ 65	$ 67	$ 73
SoCalGas	29	155	—	—	28	26	57	181
Sempra South American Utilities	—	—	—	—	35	33	35	33
Sempra Mexico	—	—	10	9	9	9	19	18
Sempra Renewables	—	—	—	—	2	2	2	2
Sempra Natural Gas	81	83	4	5	1	1	86	89
Sempra Energy Consolidated	$ 113	$ 246	$ 14	$ 14	$ 139	$ 136	$ 266	$ 396

Temporary LIFO Liquidation

SoCalGas values natural gas inventory by the last-in first-out (LIFO) method. As inventories are sold, differences between the LIFO valuation and the estimated replacement cost are reflected in customer rates. Temporary LIFO liquidation represents the difference between the carrying value of natural gas inventory withdrawn during the period for delivery to customers and the projected cost of the replacement of that inventory during summer months. For interim periods, these differences result in an asset or liability, which at June 30, 2015 is an asset recorded in Temporary LIFO Liquidation on SoCalGas' Condensed Consolidated Balance Sheet and Other Current Assets on Sempra Energy's Condensed Consolidated Balance Sheet.

GOODWILL

We discuss goodwill in Note 1 of the Notes to Consolidated Fi

AMOUNTS ASSOCIATED WITH OTAY MESA VIE

(Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Operating expenses				
Cost of electric fuel and purchased power	$ (21)	$ (22)	$ (39)	$ (40)
Operation and maintenance	6	5	10	10
Depreciation	6	7	12	14
Total operating expenses	(9)	(10)	(17)	(16)
Operating income	9	10	17	16
Interest expense	(5)	(4)	(9)	(8)
Income before income taxes/Net income	4	6	8	8

PENSION AND OTHER POSTRETIREMENT BENEFITS

Net Periodic Benefit Cost

The following three tables provide the components of net periodic benefit cost:

NET PERIODIC BENEFIT COST – SEMPRA ENERGY CONSOLIDATED

(Dollars in millions)

	Pension benefits		Other postretirement benefits	
	Three months ended June 30,			
	2015	2014	2015	2014
Service cost	$ 29	$ 26	$ 7	$ 6
Interest cost	39	41	11	12
Expected return on assets	(44)	(43)	(17)	(16)
Amortization of:				
Prior service cost (credit)	2	3	—	(1)
Actuarial loss	11	5	—	—
Settlement	—	6	—	—
Regulatory adjustment	(30)	—	—	—
Total net periodic benefit cost	$ 7	$ 38	$ 1	$ 1

	Six months ended June 30,			
	2015	2014	2015	2014
Service cost	$ 59	$ 52	$ 14	$ 12
Interest cost	78	82	23	24
Expected return on assets	(88)	(86)	(34)	(32)
Amortization of:				
Prior service cost (credit)	5	5	(1)	(2)
Actuarial loss	19	10	—	—
Settlements	—	9	—	—
Regulatory adjustment	(59)	(24)	—	—
Total net periodic benefit cost	$ 14	$ 48	$ 2	$ 2

Benefit Plan Contributions

The following table shows our year-to-date contributions to pension and other postretirement benefit plans and the amounts we expect to contribute in 2015:

BENEFIT PLAN CONTRIBUTIONS *(Dollars in millions)*	Sempra Energy Consolidated	SDG&E	SoCalGas
Contributions through June 30, 2015:			
Pension plans	$ 17	$ 2	$ 1
Other postretirement benefit plans	1	—	—
Total expected contributions in 2015:			
Pension plans	$ 36	$ 3	$ 7
Other postretirement benefit plans	11	8	—

RABBI TRUST

would receive upon the assumed exercise of stock options in excess of the deferred income taxes we recorded related to the compensation expense on the stock options. Tax shortfalls occur when the assumed tax deductions are less than recorded deferred income taxes. The calculation of dilutive common stock equivalents excludes options for which the exercise price on common stock was greater than the average market price during the period (out-of-the-money options). We had no such antidilutive stock options outstanding for the three months or six months ended June 30, 2015 or 2014. For the three months and six months ended June 30, 2015 and 2014, we had no stock options outstanding that were antidilutive because of the unearned compensation and windfall tax benefits included in the assumed proceeds under the treasury stock method.

The dilution from unvested restricted stock awards (RSAs) and restricted stock units (RSUs) is also based on the treasury stock method. Proceeds equal to the unearned compensation and windfall tax benefits recognized, minus tax shortfalls recognized, related to the awards and units are assumed to be used to repurchase shares on the open market at the average market price for the period. The windfall tax benefits or tax shortfalls r

Pipeline projects currently under construction by Sempra Mexico and Sempra Natural Gas that are both subject to certain regulation and meet U.S. GAAP regulatory accounting requirements record the impact of AFUDC related to equity.

Sempra International's and Sempra U.S. Gas & Power's businesses capitalize interest costs incurred to finance capital projects and interest on equity method investments that have not commenced planned principal operations. The California Utilities also capitalize certain interest costs.

The following table shows capitalized financing costs for the three months and six months ended June 30, 2015 and 2014.

CAPITALIZED FINANCING COSTS

(Dollars in millions)

COMPREHENSIVE INCOME

The following tables present the changes in Accumulated Other Comprehensive Income (Loss) (AOCI) by component and amounts

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT(1)
SAN DIEGO GAS & ELECTRIC COMPANY
(Dollars in millions)

	Pension and other postretirement benefits		
	Unamortized net actuarial gain (loss)	Unamortized prior service credit	Total accumulated other comprehensive income (loss)
	Three months ended June 30, 2015 and 2014		
2015:			
Balance as of March 31, and June 30, 2015	$ (13)	$ 1	$ (12)
2014:			
Balance as of March 31, 2014	$ (10)	$ 1	$ (9)
Amounts reclassified from accumulated other comprehensive income	1	—	1
Net other comprehensive income	1	—	1
Balance as of June 30, 2014	$ (9)	$ 1	$ (8)
	Six months ended June 30, 2015 and 2014		
2015:			
Balance as of December 31, 2014 and June 30, 2015	$ (13)	$ 1	$ (12)
2014:			
Balance as of December 31, 2013	$ (10)	$ 1	$ (9)
Amounts reclassified from accumulated other comprehensive income	1	—	1
Net other comprehensive income	1	—	1
Balance as of June 30, 2014	$ (9)	$ 1	$ (8)

(1) All amounts are net of income tax, if subject to tax, and exclude noncontrolling interests.

RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(Dollars in millions)

Details about accumulated other comprehensive income (loss) components	Amounts reclassified from accumulated other comprehensive income (loss)		Affected line item on Condensed Consolidated Statements of Operations
	Three months ended June 30,		
	2015	2014	
Sempra Energy Consolidated:			
Financial instruments:			
Interest rate and foreign exchange instruments	$	3	

RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(Dollars in millions)

SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS

The following tables provide reconciliations of changes in Sempra Energy's, SDG&E's and SoCalGas' shareholders' equity and noncontrolling interests for the six months ended June 30, 2015 and 2014.

SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS — SEMPRA ENERGY CONSOLIDATED

(Dollars in millions)

	Sempra Energy shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2014	$ 11,326	$ 774	$ 12,100
Comprehensive income	634	33	667
Preferred dividends of subsidiary	(1)	—	(1)
Share-based compensation expense	26	—	26
Common stock dividends declared	(347)	—	(347)
Issuance of common stock	59	—	59
Repurchase of common stock	(66)	—	(66)
Tax benefit related to share-based compensation	52	—	52
Equity contributed by noncontrolling interest	—	1	1
Distributions to noncontrolling interests	—	(16)	(16)
Balance at June 30, 2015	$ 11,683	$ 792	$ 12,475
Balance at December 31, 2013	$ 11,008	$ 842	$ 11,850
Comprehensive income	472	39	511
Preferred dividends of subsidiary	(1)	—	(1)
Share-based compensation expense	21	—	21
Common stock dividends declared	(324)	—	(324)
Issuance of common stock	42	—	42
Repurchase of common stock	(37)	—	(37)
Tax benefit related to share-based compensation	13	—	13
Equity contributed by noncontrolling interest	—	1	1
Distributions to noncontrolling interests	—	(25)	(25)
Balance at June 30, 2014	$ 11,194	$ 857	$ 12,051

SHAREHOLDER'S EQUITY AND NONCONTROLLING INTEREST — SDG&E

(Dollars in millions)

SHAREHOLDERS' EQUITY — SOCALGAS *(Dollars in millions)*		SoCalGas shareholders' equity
Balance at December 31, 2014	$	2,781
Comprehensive income		285
Preferred stock dividends declared		(1)
Balance at June 30, 2015	$	3,065
Balance at December 31, 2013	$	2,549
Comprehensive income		159
Preferred stock dividends declared		(1)
Balance at June 30, 2014	$	2,707

Ownership interests that are held by owners other than Sempra Energy and SDG&E in subsidiaries or entities consolidated by them are accounted for and reported as noncontrolling interests. As a result, noncontrolling interests

TRANSACTIONS WITH AFFILIATES

Current and noncurrent amounts due from unconsolidated affiliates in the Sempra Energy Condensed Consolidated Balance Sheets are as follows:

DUE FROM UNCONSOLIDATED AFFILIATES(1) (Dollars in millions)	June 30, 2015	December 31, 2014
Sempra South American Utilities:		
Eletrans S.A.:		
4% Note(2)	$ 61	$ 41
Sempra Mexico:		

AMOUNTS DUE TO AND FROM AFFILIATES AT SDG&E AND SOCALGAS *(Dollars in millions)*	June 30, 2015	December 31, 2014
SDG&E:		
Current:		
Due from various affiliates	$ 1	$ 1
Due to Sempra Energy	$ 7	$ 17
Due to SoCalGas	—	4
	$ 7	$ 21
Income taxes due from Sempra Energy(1)	$ 97	$ 16
SoCalGas:		
Current:		
Due from Sempra Energy(2)	$ 273	$ —
Due from SDG&E	—	4
	$ 273	$ 4
Due to Sempra Energy	$ —	$ 13
Income taxes due (to) from Sempra Energy(1)	$ (19)	$ 9

(1) SDG&E and SoCalGas are included in the consolidated income tax return of Sempra Energy and are allocated income tax expense from Sempra Energy in an amount equal to that which would result from each company having always filed a separate return.

(2) Net receivable includes a loan to Sempra Energy of $279 million at June 30, 2015 at an interest rate of 0.08 percent.

Revenues from unconsolidated affiliates at SDG&E and SoCalGas are as follows:

REVENUES FROM UNCONSOLIDATED AFFILIATES AT SDG&E AND SOCALGAS *(Dollars in millions)*	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
SDG&E	$ 2	$ 3	$ 5	$ 6
SoCalGas	17	16	36	34

OTHER INCOME, NET

Other Income, Net on the Condensed Consolidated Statements of Operations consists of the following:

OTHER INCOME, NET *(Dollars in millions)*	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Sempra Energy Consolidated:				
Allowance for equity funds used during construction	$ 31	$ 24	$ 58	$ 49
Investment (losses) gains(1)	(2)	15	7	23
(Losses) gains on interest rate and foreign exchange instruments, net	(3)	11	(3)	16
Electrical infrastructure relocation income(2)	4	3	4	3
Regulatory interest, net(3)	1	2	2	3
Foreign currency (losses) gains	(2)	1	(3)	1
Sundry, net	8	(7)	11	(6)
Total	$ 37	$ 49	$ 76	$ 89
SDG&E:				
Allowance for equity funds used during construction	$ 10	$ 7	$ 18	$ 18
Regulatory interest, net(3)	1	2	2	3
Sundry, net	(2)	(2)	(2)	(1)
Total	$ 9	$ 7	$ 18	$ 20
SoCalGas:				
Allowance for equity funds used during construction	$ 10	$ 6	$ 19	$ 11
Sundry, net	(1)	(3)	(2)	(4)
Total	$ 9	$ 3	$ 17	$ 7

(1) Represents investment (losses) gains on dedicated assets in support of our executive retirement and deferred compensation plans. These amounts are partially offset by corresponding changes in compensation expense related to the plans.
(2) Income at Luz del Sur associated with the relocation of electrical infrastructure.
(3) Interest on regulatory balancing accounts.

INCOME TAXES

INCOME TAX EXPENSE AND EFFECTIVE INCOME TAX RATES *(Dollars in millions)*	Income tax expense	Effective income tax rate	Income tax expense	Effective income tax rate
	Three months ended June 30,			
	2015		2014	
Sempra Energy Consolidated	$ 98	25 %	$ 93	25 %
SDG&E	54	29	69	35
SoCalGas	16	18	28	26
	Six months ended June 30,			
	2015		2014	
Sempra Energy Consolidated	$ 261	26 %	$ 220	29 %
SDG&E	142	34	152	40
SoCalGas	111	28	66	29

Changes in Income Tax Expense and Effective Income Tax Rates

Sempra Energy Consolidated

The increase in income tax expense in the three months ended June 30, 2015 was mainly due to higher pretax income.

The increase in income tax expense in the six months ended June 30, 2015 was mainly due to higher pretax income, offset by a lower effective income tax rate. The lower effective income tax rate was primarily due to:

- a $17 million charge in 2014 to reduce certain tax regulatory assets attributed to SDG&E's investment in the San Onofre Nuclear Generating Station (SONGS) that we discuss in Note 9; and

interim periods based on seasonal factors beginning January 1, 2015 in accordance with the TCAP, compared to recognizing such revenue ratably over the year in 2014. We discuss the impact of the TCAP decision further in Note 10. The lower effective income tax rate was primarily due to the favorable resolution of prior years' income tax items in 2015.

For SDG&E and SoCalGas, the CPUC requires flow-through rate-making treatment for the current income tax benefit or expense

California Utilities

SDG&E and SoCalGas have a combined $877 million, five-year syndicated revolving credit agreement expiring in March 2017. JPMorgan Chase Bank, N.A. serves as administrative agent for the syndicate of 24 lenders. No single lender has greater than a 7-percent share. The agreement permits each utility to individually borrow up to $658 million, subject to a combined limit of $877 million for both utilities. It also provides for the issuance of letters of credit on behalf of each utility subject to a combined letter of credit commitment of $300 million for both utilities. The amount of borrowings otherwise available under the facility is reduced by the amount of outstanding letters of credit.

Borrowings under the facility bear interest at benchmark rates plus a margin that varies with market index rates and the borrowing utility's credit ratings. The agreement requires each utility to maintain a ratio of total indebtedness to total capitalization (as defined in the agreement) of no more than 65 percent at the end of each quarter. At June 30, 2015 and December 31, 2014, the California Utilities were in compliance with this and all other financial covenants under the credit facility.

Each utility's obligations under the agreement are individual obligations, and a default by one utility would not constitute a default by the other utility or preclude borrowings by, or the issuance of letters of credit on behalf of, the other utility.

At June 30, 2015, SDG&E had $40 million of commercial paper outstanding, supported by the facility. SoCalGas had no outstanding borrowings supported by the facility. Available unused credit on the line at June 30, 2015 was $618 million and $658 million at SDG&E and SoCalGas, respectively, subject to the $877 million maximum combined credit limit.

Sempra Mexico

In 2014, IEnova entered into an agreement for a $200 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Banco Santander, (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander Mexico. At June 30, 2015, IEnova had $50 million of outstanding borrowings supported by the facility, and available unused credit on the line was $150 million.

Also in 2014, IEnova entered into an agreement for a $100 million, U.S. dollar-denominated, three-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lender is Sumitomo Mitsui Banking Corporation. At June 30, 2015, IEnova had $25 million of outstanding borrowings supported by the facility, and available unused credit on the line was $75 million.

WEIGHTED AVERAGE INTEREST RATES

The weighted average interest rates on the total short-term debt at Sempra Energy Consolidated were 0.78 percent and 0.70 percent at June 30, 2015 and December 31, 2014, respectively. The weighted average interest rate on total short-term debt at SDG&E was 0.18 percent at June 30, 2015. At December 31, 2014, the weighted average interest rates on total short-term debt at SDG&E and SoCalGas were 0.27 percent and 0.25 percent, respectively.

LONG-TERM DEBT

Sempra Energy

SoCalGas

In June 2015, SoCalGas publicly offered and sold $250 million of 1.55-percent and $350 million of 3.20-percent first mortgage bonds maturing in 2018 and 2025, respectively. SoCalGas used the proceeds from the offering to repay outstanding commercial paper and for other general corporate purposes.

South American Utilities

In May and June 2015, Luz del Sur borrowed $13 million and $22 million, respectively, under a bank loan facility. The loans accrue interest at 5.18 percent and mature on May 18, 2018 and June 1, 2018, respectively.

Sempra Natural Gas

In June 2015, Sempra Natural Gas reduced its other long-term debt by $79 million through redemption of its investment in industrial development bonds at Mississippi Hub.

INTEREST RATE SWAPS

We discuss our fair value interest rate swaps and interest rate swaps to hedge cash flows in Note 7.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative instruments primarily to manage exposures arising in the normal course of business. Our principal exposures are commodity market risk and benchmark interest rate risk. We may also manage foreign exchange rate exposures using derivatives. Our use of derivatives for these risks is integrated into the economic management of our anticipated revenues, anticipated expenses, assets and liabilities. Derivatives may be effective in mitigating these risks (1) that could lead to declines in anticipated revenues or increases in anticipated expenses, or (2) that our asset values may fall or our liabilities increase. Accordingly, our derivative activity summarized below generally represents an impact that is intended to offset associated revenues, expenses, assets or liabilities that are not presented below.

We record all derivatives at fair value on the Condensed Consolidated Balance Sheets. We designate each derivative as (1) a cash flow hedge, (2) a fair value hedge, or (3) undesignated. Depending on the applicability of hedge accounting and, for the California Utilities and other operations subject to regulatory accounting, the requirement to pass impacts through to customers, the impact of derivative instruments may be offset in other comprehensive income (loss) (cash flow hedge), on the balance sheet (fair value hedges and regulatory offsets), or recognized in earnings. We classify cash flows from the settlements of derivative instruments as operating activities on the Condensed Consolidated Statements of Cash Flows.

In certain cases, we apply the normal purchase or sale exception to derivative accounting and have other commodity contracts that are not derivatives. These contracts are not recorded at fair value and are therefore excluded from the disclosures below.

HEDGE ACCOUNTING

We may designate a derivative as a cash flow hedging instrument if it effectively converts anticipated revenues or expenses to a fixed dollar amount. We may utilize cash flow hedge accounting for derivative commodity instruments, foreign currency instruments and interest rate instruments. Designating cash flow hedges is dependent on the business context in which the instrument is being used, the effectiveness of the instrument in offsetting the risk that a given future revenue or expense item may vary, and other criteria.

We may designate an interest rate derivative as a fair value hedging instrument if it effectively converts our own debt from a fit5ru (g ca)m49t5

- The California Utilities use energy derivatives, both natural gas and electricity, for the benefit of customers, with the objective of managing price risk and basis risks, and lowering natural gas and electricity costs. These derivatives include fixed price natural gas and electricity positions, options, and basis risk instruments, which are

Interest rate derivatives are utilized by the California Utilities as well as by other Sempra Energy subsidiaries. Although the California Utilities generally recover borrowing costs in rates over time, the use of interest rate derivatives is subject to certain regulatory constraints, and the impact of interest rate derivatives may not be recovered from customers as timely as described above with regard to energy derivatives. Interest rate derivatives are generally accounted for as hedges at the California Utilities, as well as at the rest of Sempra Energy's subsidiaries. Separately, Otay Mesa VIE has entered into interest rate swap agreements to moderate its exposure to interest rate changes. This activity was designated as a cash flow hedge as of April 1, 2011.

At June 30, 2015 and December 31, 2014, the net notional amounts of our interest rate derivatives, excluding the cross-currency swaps discussed below, were:

INTEREST RATE DERIVATIVES
(Dollars in millions)

	June 30, 2015		December 31, 2014	
	Notional debt	Maturities	Notional debt	Maturities
Sempra Energy Consolidated:				
Cash flow hedges(1)	$ 392	2015-2028	$ 399	2015-2028
Fair value hedges	300	2016	300	2016
SDG&E:				
Cash flow hedge(1)	320	2015-2019	325	2015-2019

(1) Includes Otay Mesa VIE. All of SDG&E's interest rate derivatives relate to Otay Mesa VIE.

FOREIGN CURRENCY DERIVATIVES

We are exposed to exchange rate movements at our Mexican subsidiaries, which have U.S. dollar denominated cash balances, receivables and payables (monetary assets and liabilities) that give rise to Mexican currency exchange rate movements for Mexican income tax purposes. These subsidiaries also have deferred income tax assets and liabilities that are denominated in the Mexican peso, which must be translated into U.S. dollars for financial reporting purposes. From time to time, we may utilize foreign currency derivatives at our subsidiaries and at the consolidated level as a means to manage the risk of exposure to significant fluctuations in our income tax expense from these impacts. We may also utilize cross-currency swaps to hedge exposure related to Mexican peso-denominated debt at our Mexican subsidiaries and joint ventures.

In addition, Sempra South American Utilities may utilize foreign currency derivatives at its subsidiaries and joint ventures as a means to manage foreign currency rate risk. We discuss such swaps at Chilquinta Energía's Eletrans joint venture investment in Note 4 of the Notes to Consolidated Financial Statements in the Annual Report.

FINANCIAL STATEMENT PRESENTATION

Each Condensed Consolidated Balance Sheet reflects the offsetting of net derivative positions and cash collateral with the same counterparty when a legal right of offset exists. The following tables provide the fair values of derivative instruments on the Condensed Consolidated Balance Sheets at June 30, 2015 and December 31, 2014, including the amount of cash collateral receivables that were not offset, as the cash collateral is in excess of liability positions.

DERIVATIVE INSTRUMENTS ON THE CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions)

	June 30, 2015			
	Current assets: Fixed-price contracts and other derivatives(1)	Investments and other assets: Sundry	Current liabilities: Fixed-price contracts and other derivatives(2)	Deferred credits and other liabilities: Fixed-price contracts and other derivatives
Sempra Energy Consolidated:				
Derivatives designated as hedging instruments:				
Interest rate and foreign exchange instruments(3)	$ 9	$ 2	$ (17)	$ (129)
Commodity contracts not subject to rate recovery	1	—	—	—
Derivatives not designated as hedging instruments:				
Interest rate and foreign exchange instruments	8	24	(6)	(20)
Commodity contracts not subject to rate recovery	78	24	(76)	(16)
Associated offsetting commodity contracts	(69)	(15)	69	15
Associated offsetting cash collateral	—	—	5	1
Commodity contracts subject to rate recovery	15	75	(37)	(64)
Associated offsetting commodity contracts	(1)	(1)	1	1
Associated offsetting cash collateral	—	—	21	21
Net amounts presented on the balance sheet	41	109	(40)	(191)
Additional cash collateral for commodity contracts not subject to rate recovery	17	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	27	—	—	—
Total(4)	$ 85	$ 109	$ (40)	$ (191)
SDG&E:				
Derivatives designated as hedging instruments:				
Interest rate instruments(3)	$ —	$ —	$ (15)	$ (28)
Derivatives not designated as hedging instruments:				
Commodity contracts not subject to rate recovery	—	—	(1)	—
Associated offsetting cash collateral	—	—	1	—
Commodity contracts subject to rate recovery	14	75	(37)	(64)
Associated offsetting commodity contracts	(1)	(1)	1	1
Associated offsetting cash collateral	—	—	21	21
Net amounts presented on the balance sheet	13	74	(30)	(70)
Additional cash collateral for commodity contracts not subject to rate recovery	1	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	26	—	—	—
Total(4)	$ 40	$ 74	$ (30)	$ (70)
SoCalGas:				
Derivatives not designated as hedging instruments:				
Commodity contracts not subject to rate recovery	$ —	$ —	$ (1)	$ —
Associated offsetting cash collateral	—	—	1	—
Commodity contracts subject to rate recovery	1	—	—	—
Net amounts presented on the balance sheet	1	—	—	—
Additional cash collateral for commodity contracts not subject to rate recovery	2	—	—	—
Additional cash collateral for commodity contracts subject to rate recovery	1	—	—	—
Total	$ 4	$ —	$ —	$ —

(1) Included in Current Assets: Other for SoCalGas.
(2) Included in Current Liabilities: Other for SoCalGas.
(3) Includes Otay Mesa VIE. All of SDG&E's amounts relate to Otay Mesa VIE.
(4) Normal purchase contracts previously measured at fair value are excluded.

DERIVATIVE INSTRUMENTS ON THE CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

	December 31, 2014			
	Current assets: Fixed-price contracts and other derivatives(1)	Investments and other assets: Sundry	Current liabilities: Fixed-price contracts and other derivatives(2)	Deferred credits and other liabilities: Fixed-price contracts and other derivatives
Sempra Energy Consolidated:				
Derivatives designated as hedging instruments:				
Interest rate and foreign exchange instruments(3)	$ 10	$ 3	$ (17)	$ (109)
Commodity contracts not subject to rate recovery	25	—	—	—
Derivatives not designated as hedging instruments:				
Interest rate instruments	8	27	(7)	(22)
Commodity contracts not subject to rate recovery	143	32	(135)	(29)
Associated offsetting commodity contracts	(129)	(27)	129	27
Associated offsetting cash collateral	(11)	—	—	—
Commodity contracts subject to rate recovery	36	76	(36)	(20)

ultimately reclassified into earnings depend on the interest rates in effect when derivative contracts that are currently outstanding mature.

SoCalGas expects that negligible losses, which are net of income tax benefit, currently recorded in AOCI related to cash flow hedges will be reclassified into earnings during the next twelve months as the hedged items affect earnings.

For all forecasted transactions, the maximum term over which we are hedging exposure to the variability of cash flows at June 30, 2015 is approximately 14 years and 4 years for Sempra Energy Consolidated and SDG&E, respectively. The maximum term of hedged interest rate variability is 20 years, and is related to debt at Sempra Renewables' equity method investees.

The effects of derivative instruments not designated as hedging instruments on the Condensed Consolidated Statements of Operations for the three months and six months ended June 30 were:

UNDESIGNATED DERIVATIVE IMPACT ON THE CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions)

		Gain (loss) on derivatives recognized in earnings			
		Three months ended June 30,		Six months ended June 30,	
	Location	2015	2014	2015	2014
Sempra Energy Consolidated:					
Interest rate and foreign exchange instruments	Other Income, Net	$ (3)	$ 4	$ (3)	$ 7
Foreign exchange instruments	Equity Earnings, Net of Income Tax	—	—	(1)	(2)
Commodity contracts not subject to rate recovery	Revenues: Energy-Related Businesses	9	4	12	(1)
Commodity contracts not subject to rate recovery	Cost of Natural Gas, Electric Fuel and Purchased Power	—	1	—	2
Commodity contracts not subject to rate recovery	Operation and Maintenance	1	—	1	—
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	(53)	8	(73)	20
Commodity contracts subject to rate recovery	Cost of Natural Gas	—	(1)	1	1
Total		$ (46)	$ 16	$ (63)	$ 27
SDG&E:					
Commodity contracts subject to rate recovery	Cost of Electric Fuel and Purchased Power	$ (53)	$ 8	$ (73)	$ 20
SoCalGas:					
Commodity contracts not subject to rate recovery	Operation and Maintenance	$ 1	$ —	$ 1	$ —
Commodity contracts subject to rate recovery	Cost of Natural Gas	—	(1)	1	1
Total		$ 1	$ (1)	$ 2	$ 1

CONTINGENT FEATURES

For Sempra Energy Consolidated and SDG&E, certain of our derivative instruments contain credit limits which vary depending on our credit ratings. Generally, these provisions, if applicable, may reduce our credit limit if a specified credit rating agency reduces our ratings. In certain cases, if our credit ratings were to fall below investment grade, the counterparty to these derivative liability instruments could request immediate payment or demand immediate and ongoing full collateralization.

For Sempra Energy Consolidated, the total fair value of this group of derivative instruments in a net liability position at June 30, 2015 and December 31, 2014 is $5 million and $9 million, respectively. At June 30, 2015, if the credit ratings of Sempra Energy were reduced below investment grade, $5 million of additional assets could be required to be posted as collateral for these derivative contracts.

For SDG&E, the total fair value of this group of derivative instruments in a net liability position was $4 million and $2 million at June 30, 2015 and December 31, 2014, respectively. At June 30, 2015, if the credit ratings of SDG&E were reduced below investment grade, $4 million of additional assets could be required to be posted as collateral for these derivative contracts.

For Sempra Energy Consolidated, SDG&E and SoCalGas, some of our derivative contracts contain a provision that would permit the counterparty, in certain circumstances, to request adequate assurance of our performance under the contracts. Such additional assurance, if needed, is not material and is not included in the amounts above.

NOTE 8. FAIR VALUE MEASUREMENTS

We discuss the valuation techniques and inputs we use to measure fair value and the definition of the three levels of the fair value hierarchy in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report. We have not changed the valuation techniques or inputs we use to measure fair value during the six months ended June 30, 2015.

Recurring Fair Value Measures

The three tables below, by level within the fair value hierarchy, set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis at June 30, 2015 and December 31, 2014. We classify financial assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities, and their placement within the fair value hierarchy levels.

The fair value of commodity derivative assets and liabilities is presented in accordance with our netting policy, as we discuss in Note 7 under “Financial Statement Presentation.”

The determination of fair values, shown in the tables below, incorporates various factors, including but not limited to, the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests).

Our financial assets and liabilities that were accounted for at fair value on a recurring basis at June 30, 2015 and December 31, 2014 in the tables below include the following:

- Nuclear decommissioning trusts reflect the assets of SDG&E’s nuclear decommissioning trusts, excluding cash balances. A third party trustee values the trust assets using prices from a pricing service based on a market approach. We validate these prices by comparison to prices from other independent data sources. Equity and certain debt securities are valued using quoted prices listed on nationally recognized securities exchanges or based on closing prices reported in the active market in which the identical security is traded (Level 1). Other debt securities are valued based on yields that are currently available for comparable securities of issuers with similar credit ratings (Level 2).
- We enter into commodity contracts and interest rate derivatives primarily as a means to manage price exposures. We may also manage foreign exchange rate exposures using derivatives. We primarily use a market approach with market participant assumptions to value these derivatives. Market participant assumptions include those about risk, and the risk inherent in the inputs to the valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable. We have exchange-traded derivatives that are valued based on quoted prices in active markets for the identical instruments (Level 1). We also may have other commodity derivatives that are valued using industry standard models that consider quoted forward prices for commodities, time value, current market and contractual prices for the underlying instruments, volatility factors, and other relevant economic measures (Level 2). Level 3 recurring items relate to CRRs and long-term, fixed-price electricity positions at SDG&E, as we discuss below under “Level 3 Information.” We record commodity derivative contracts that are subject to rate recovery as commodity costs that are offset by regulatory account balances and are recovered in rates.
- Investments include marketable securities that we value using a market approach based on closing prices reported in the active market in which the identical security is traded (Level 1).

There were no transfers into or out of Level 1, Level 2 or Level 3 for Sempra Energy Consolidated, SDG&E or SoCalGas during the periods presented, nor any changes in valuation techniques used in recurring fair value measurements.

RECURRING FAIR VALUE MEASURES – SEMPRA ENERGY CONSOLIDATED

(Dollars in millions)

	Fair value at June 30, 2015				
	Level 1	Level 2	Level 3	Netting(1)	Total
Assets:					
Nuclear decommissioning trusts:					
Equity securities	$ 665	$			

RECURRING FAIR VALUE MEASURES – SDG&E

(Dollars in millions)

	Fair value at June 30, 2015				
	Level 1	Level 2	Level 3	Netting(1)	Total
Assets:					
Nuclear decommissioning trusts:					
Equity securities	$ 665	$ —	$ —	$ —	$ 665
Debt securities:					
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	50	48	—	—	98
Municipal bonds	—	152	—	—	152
Other securities	—	209	—	—	209
Total debt securities	50	409	—	—	459
Total nuclear decommissioning trusts(2)	715	409	—	—	1,124
Commodity contracts not subject to rate recovery	—	—	—	1	1
Commodity contracts subject to rate recovery	—	—	87	26	113
Total	$ 715	$ 409	$ 87	$ 27	$ 1,238
Liabilities:					
Interest rate instruments	$ —	$ 43	$ —	$ —	$ 43
Commodity contracts not subject to rate recovery	1	—	—	(1)	—
Commodity contracts subject to rate recovery	—	54	45	(42)	57
Total	$ 1	$ 97	$ 45	$ (43)	$ 100

	Fair value at December 31, 2014				
	Level 1	Level 2	Level 3	Netting(1)	Total
Assets:					
Nuclear decommissioning trusts:					
Equity securities	$ 655	$ —	$ —	$ —	$ 655
Debt securities:					
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	62	47	—	—	109
Municipal bonds	—	129	—	—	129
Other securities	—	207	—	—	207
Total debt securities	62	383	—	—	445
Total nuclear decommissioning trusts(2)	717	383	—	—	1,100
Commodity contracts subject to rate recovery	—	—	107	12	119
Total	$ 717	$ 383	$ 107	$ 12	$ 1,219
Liabilities:					
Interest rate instruments	$ —	$ 47	$ —	$ —	$ 47
Commodity contracts not subject to rate recovery	1	—	—	(1)	—
Commodity contracts subject to rate recovery	—	51	—	(36)	15
Total	$ 1	$ 98	$ —	$ (37)	$ 62

(1) Includes the effect of the contractual ability to settle contracts under master netting agreements and with cash collateral, as well as cash collateral not offset.

(2) Excludes cash balances and cash equivalents.

RECURRING FAIR VALUE MEASURES – SOCALGAS

CRRs are recorded at fair value based almost entirely on the most current auction prices published by the California Independent System Operator (CAISO), an objective source. Annual auction prices are published once a year, typically in the middle of November, and remain in effect for the following calendar year. The impact associated with discounting is negligible. Because auction prices are a less observable input, these instruments are classified as Level 3. From January 1, 2015 to December 31, 2015 the auction prices range from $(16) per MWh to $8 per MWh at a given location, and from January 1, 2014 to December 31, 2014 the auction prices ranged from $(6) per MWh to $12 per MWh at a given location. The fair value of these instruments is derived from auction price differences between two locations. Positive values between two locations represent expected future reductions in congestion costs, whereas

FAIR VALUE OF FINANCIAL INSTRUMENTS

(Dollars in millions)

	June 30, 2015	
	Carrying	Fair value

was identified, Edison also inspected and tested Unit 2 and subsequently found unexpected tube wear in Unit 2's steam generator. In March 2012, in response to the shutdown of SONGS, the NRC issued a Confirmatory Action Letter (CAL) which, among other things, outlined the requirements for Edison to meet before the NRC would approve a restart of either of the Units.

In October 2012, Edison submitted a restart plan to the NRC proposing to operate Unit 2 at a reduced power level for a period of five months, at which time the Unit would be brought down for further inspection. Edison did not file a restart plan for Unit 3, pending further inspection and analysis of what repairs or modifications would be required to return the Unit to service in a safe manner. The NRC was reviewing the restart plan for Unit 2 proposed by Edison when in May 2013, the Atomic Safety and Licensing Board (ASLB), an adjudicatory arm of the NRC, concluded that the CAL process constituted a de facto license amendment proceeding that was subject to a public hearing. This conclusion by the ASLB resulted in further uncertainty regarding when a final decision might be made on restarting Unit 2.

The replacement steam generators were designed and provided by Mitsubishi Heavy Industries, Ltd., Mitsubishi Nuclear Energy Systems, Inc., and Mitsubishi Heavy Industries America, Inc. (collectively MHI). In July 2013, SDG&E filed a lawsuit against MHI seeking to recover damages SDG&E has incurred and will incur related to the design defects in the steam generators. In October 2013, Edison instituted arbitration proceedings against MHI seeking damages as well. We discuss these proceedings in Note 11.

Settlement Agreement to Resolve the CPUC's Order Instituting Investigation (OII) into the SONGS Outage (SONGS OII)

SONGS OII

In November 2012, in response to the outage, the CPUC issued the SONGS OII, pursuant to California Public Utilities' Code Section 455.5, which applies to cost recovery issues resulting from long-term outages of operating assets. The SONGS OII consolidated most SONGS outage-related issues into a single proceeding. The SONGS OII, among other things, designated all revenues associated with the investment in, and operation of, SONGS since January 1, 2012 as subject to refund to customers, pending the outcome of all phases of the proceeding. The SONGS OII proceeding was intended to determine the ultimate recovery of the investment in SONGS and the costs incurred since the commencement of this outage, including purchased replacement power costs, which are typically recovered through the Energy Resource Recovery Account (ERRA).

Entry Into Settlement Agreement

Pursuant to CPUC rules concerning settlements, SDG&E, Edison, The Utility Reform Network (TURN), and the CPUC Office of Ratepayer Advocates (ORA) held a settlement conference in March 2014 to discuss the terms to resolve the SONGS OII, and in April 2014, SDG&E, along with Edison, TURN, ORA and two other intervenors who joined the Settlement Agreement to the SONGS OII proceeding (collectively, the Settling Parties), filed a Settlement Agreement with the CPUC. On September 5, 2014, the CPUC issued a ruling proposing specific changes that included, as they relate to SDG&E, greater ratepayer benefit from third party cost recoveries and funding of a research program to reduce greenhouse gas emissions at a shareholder cost of $1 million per year for 5 years.

On September 23, 2014, the Settling Parties executed an Amended and Restated Settlement Agreement (Amended Settlement
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responded that TURN's concerns regarding public perception do not impact the reasonableness of the Amended Settlement Agreement and are insufficient to overturn it. SDG&E is unable to determine what actions the CPUC will take, if any, in response to the PFM.

We discuss the terms of the Amended Settlement Agreement in Note 13 of the Notes to Consolidated Financial Statements in the Annual Report.

Accounting and Financial Impacts

Through June 30, 2015, the cumulative after-tax loss from plant closure recorded by Sempra Energy and SDG&E is $127 million, including a reduction in the after-tax loss of $13 million recorded in the first quarter of 2015 based on the CPUC's approval in March 2015 of SDG&E's compliance filing and establishment of the SONGS settlement revenue requirement.

In the second quarter of 2013, based on an initial assessment of the financial impact of the outcome of the SONGS OII proceeding, SDG&E reported an after-tax loss from plant closure of $119 million. In the first quarter of 2014, after entering into the Settlement Agreement, SDG&E recorded a $9 million increase in the after-tax loss. In the fourth quarter of 2014, based on the compliance filing regarding SDG&E's annual revenue requirement and the timing of refunds to ratepayers, SDG&E recorded a $12 million increase to the after-tax loss.

The regulatory asset for the expected recovery of SONGS costs, consistent with the Amended Settlement Agreement, is $284 million

NOTE 10. CALIFORNIA UTILITIES' REGULATORY MATTERS

We discuss regulatory matters affecting our California Utilities in Note 14 of the Notes to Consolidated Financial Statements in our Annual Report, and provide updates to those discussions and details of any new matters below.

JOINT MATTERS

CPUC General Rate Case (GRC)

The CPUC uses a general rate case proceeding to prospectively set rates sufficient to allow the California Utilities to recover their reasonable cost of operations and maintenance and to provide the opportunity to realize their authorized rates of return on rate base investment.

The California Utilities filed their 2016 General Rate Case (GRC) applications in November 2014. These filings requested revenue requirement increases of $133 million and $256 million for SDG&E and SoCalGas, respectively, over their 2015 revenue requirements. In February 2015, the CPUC

As a result of this decision, SoCalGas recorded an after-tax earnings charge of $5 million in 2014 for costs incurred in prior periods for which SoCalGas was disallowed recovery. After taking the amounts disallowed for recovery into consideration, as of June 30, 2015, SDG&E and SoCalGas have recorded PSEP costs of $5 million and $137 million, respectively, in the CPUC-authorized regulatory account. In regard to requesting recovery from customers for PSEP costs incurred and recorded in accordance with the TCAP decision, SDG&E and SoCalGas are authorized to file an application with the CPUC for recovery of such costs up to the date of the TCAP decision and then annually for costs incurred through the end of each calendar year beginning with the period ending December 31, 2015. SoCalGas and SDG&E currently expect to file such applications no later than the third quarter of the year following and would expect a decision from the CPUC approximately 12 to 18 months following the date of the application (i.e., a decision on the recovery of costs recorded in the PSEP regulatory accounts as of December 31, 2015 would be expected by mid-2017).

In October 2014, SDG&E and SoCalGas filed a petition for modification with the CPUC requesting authority to begin to recover PSEP costs from customers in the year in which the costs are incurred, subject to refund pending the results of a reasonableness review by the CPUC, instead of in a subsequent year. This request is pending at the CPUC.

In December 2014, SDG&E and SoCalGas filed an application with the CPUC for recovery of $0.1 million and $46 million, respectively, in costs recorded in the regulatory account through June 11, 2014. In June 2015, SDG&E and SoCalGas agreed to remove certain projects from the filing and defer their review to future proceedings and, as a result, are now requesting recovery of $0.1 million and $26.8 million, respectively. We expect a decision on this application in the first half of 2016.

In July 2014, the ORA and TURN filed a joint application for rehearing of the CPUC's June 2014 final decision. The ORA and TURN alleged that the CPUC made a legal error in directing that ratepayers, not shareholders, be responsible for the costs associated with testing or replacing transmission pipelines that were installed between January 1, 1956 and July 1, 1961 for which the California Utilities do not have a record of a pressure test. In November 2014, the CPUC denied the ORA and TURN request for rehearing of the decision adopting the PSEP. In December 2014, ORA and TURN sought rehearing of the CPUC's decision on rehearing. In late December 2014, SoCalGas and SDG&E filed their opposition to this second application for rehearing, and are continuing to implement PSEP in accordance with the June 2014 CPUC decision. In March 2015, the CPUC issued a decision denying ORA's and TURN's second request for rehearing, but keeping the record in the proceeding open to admit additional evidence on the limited issue of pressure testing of pipelines installed between January 1, 1956 and July 1, 1961. As part of this review, the CPUC will allow parties to submit additional evidence relevant to this narrow issue to ensure a complete record, with no additional discovery allowed. The ORA and TURN filed their responses on May 1, 2015. A draft decision is expected in the second half of 2015.

We provide additional information regarding these rulemaking proceedings and the California Utilities' PSEP in Note 14 of the Notes to Consolidated Financial Statements in the Annual Report.

Southern Gas System Reliability Project

In December 2013, SoCalGas and SDG&E filed a joint application with the CPUC seeking authority to recover the full cost of the Southern Gas System Reliability Project. Also known as the North-South Gas Project, the project will enhance reliability on the southern portions of the California Utilities' integrated natural gas transmission system (Southern System). The estimated cost of the project, as originally filed, is between $800 million to $850 million. As originally proposed, the project consisted of three components: 1) constructing an approximately 60-mile, 36-inch natural gas transmission pipeline between the SoCalGas Adelanto compressor station and the Moreno pressure limiting station; 2) upgrading the Adelanto compressor station; and 3) constructing an approximately 31-mile, 36-inch pipeline from the Moreno pressure limiting station to a pressure limiting station in Whitewater. In November 2014, the California Utilities revised the scope of the proposed project to only include connecting the Adelanto compressor station and Moreno pressure limiting station with approximately 65 miles of 36-inch pipeline and upgrading the Adelanto compressor station, and eliminating the Moreno-Whitewater pipeline. In March 2015, the CPUC issued a revised scoping ruling establishing a schedule, directing that the Moreno-Whitewater portion of the original project be excluded from scope and that any other future projects would be addressed separately. The estimated cost of the revised project, including updated cost estimates, remains unchanged from the original cost estimate of between $800 million and $850 million, while providing comparable benefits for customers. If approved by the CPUC and subject to environmental permitting, given the revised project scope and updated schedule in this proceeding, the project could commence construction in 2017 and be in service by the end of 2019.

We provide additional information about the project in Note 14 of the Notes to Consolidated Financial Statements in the Annual Report.

Utility Incentive Mechanisms

The CPUC applies performance-based measures and incentive mechanisms to all California investor-owned utilities, under which the California Utilities have earnings potential above authorized base margins if they achieve or exceed specific performance and operating goals.

We provide additional information regarding these incentive mechanisms in Note 14 of the Notes to Consolidated Financial Statements in the Annual Report, and below.

Natural Gas Procurement

In February 2015, the CPUC issued a final decision approving SoCalGas' application for a gas cost incentive mechanism (GCIM) award of $13.7 million for natural gas procured for its core customers during the 12-month period ending March 31, 2014. SoCalGas recorded this award in the first quarter of 2015.

In June 2015, SoCalGas filed an application for a GCIM award of $7.25 million for natural gas procured for its core customers during the 12-month period ending March 31, 2015. We expect a CPUC decision in the first half of 2016.

SDG&E MATTERS

SONGS

We discuss regulatory and other matters related to SONGS in Note 9.

Power Procurement and Resource Planning

Cleveland National Forest Transmission Projects

SDG&E filed an application with the CPUC in October 2012 for a permit to construct various transmission line replacement projects in and around the Cleveland National Forest (CNF). The proposed projects will replace and fire-harden five existing transmission lines

Distribution Resource Plan

In July 2015, SDG&E filed an application with the CPUC submitting its Distribution Resource Plan. Distributed energy resources (DER) are typically smaller power sources, including advanced renewable and energy storage technologies, that are connected to the distribution grid and located near load centers. The distribution resource plan sets out a planning and investment framework comprised of three basic categories: 1) capital investments that can be potentially deferred or replaced by DER solutions; 2) capital investment needed to accommodate higher DER deployment levels; and 3) traditional distribution investments that cannot be deferred or displaced by DER. SDG&E's planning framework would be used to determine future capital investment needs, which would then be

2015, respectively, was recorded in the second quarter of 2015, with the remaining 2015 after-tax earnings of $1.8 million resulting from this revenue increase being recognized over the last two quarters of the year.

NOTE 11. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

We accrue losses for a legal proceeding when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the uncertainties inherent in legal proceedings make it difficult to estimate with reasonable certainty the costs and effects of resolving these matters. Accordingly, actual costs incurred may differ materially from amounts accrued, may exceed applicable insurance coverage and could materially adversely affect our business, cash flows, results of operations, financial condition and prospects. Unless otherwise indicated, we are unable to estimate reasonably possible losses in excess of any amounts accrued.

At June 30, 2015, Sempra Energy's accrued liabilities for material legal proceedings, including associated legal fees and costs of litigation, on a consolidated basis, were $62 million. At June 30, 2015, accrued liabilities for material legal proceedings for SDG&E and SoCalGas were $39 million and $15 million, respectively.

SDG&E

2007 Wildfire Litigation

In October 2007, San Diego County experienced several catastrophic wildfires. Reports issued by the California Department of Forestry and Fire Protection (Cal Fire) concluded that two of these fires (the Witch and Rice fires) were SDG&E "power line caused" and that a third fire (the Guejito fire) occurred when a wire securing a Cox Communications' (Cox) fiber optic cable came into contact with an SDG&E power line "causing an arc and starting the fire."

A September 2008 staff report issued by the CPUC's Consumer Protection and Safety Division, now known as the Safety and Enforcement Division, reached substantially the same conclusions as the Cal Fire reports, but also contended that the power lines involved in the Witch and Rice fires and the lashing wire involved in the Guejito fire were not properly designed, constructed and maintained. In April 2010, proceedings initiated by the CPUC to determine if any of its rules were violated were settled with SDG&E's payment of $14.75 million.

Numerous parties sued SDG&E and Sempra Energy in San Diego County Superior Court seeking recovery of unspecified amounts of damages, including punitive damages, from the three fires. They asserted various bases for recovery, including inverse condemnation based upon a California Court of Appeal decision finding that another California investor-owned utility was subject to strict liability, without regard to foreseeability or negligence, for property damages resulting from a wildfire ignited by power lines. SDG&E has resolved almost all of these lawsuits. One case remains subject to a damages-only trial, where the value of

to CPUC-regulated operations, which represents the amount substantially equal to the aggregate amount it has paid and reserved for payment for the resolution of wildfire claims and related costs in excess of its liability insurance coverage and amounts recovered from third parties.

SDG&E will continue to gather information to evaluate and assess the remaining wildfire claim and the likelihood, amount and timing of related recoveries in rates and will make appropriate adjustments to wildfire reserves and the related regulatory assets as additional information becomes available. Should SDG&E conclude that recovery in rates is no longer probable, SDG&E will record a charge against earnings at the time such conclusion is reached. If SDG&E had concluded that the recovery of regulatory assets related to CPUC-regulated operations was no longer probable or was less than currently estimated at June 30, 2015, the resulting after-tax charge against earnings would have been up to approximately $218 million. Recovery of these costs from customers will require future regulatory actions, and a failure to

relief, including requiring SDG&E to invest in the project, requiring SDG&E to continue performing under the power purchase agreement, and payment of damages.

On January 27, 2014, the Montana court ordered SDG&E to continue making payments under the power purchase agreement pending a hearing on the project developer's preliminary injunction motion. On March 14, 2014, SDG&E notified the project developer that the investment agreement expired by its own terms because a closing had not occurred by that date. The project developer is disputing SDG&E's position. On March 28, 2014, SDG&E filed an amended complaint against the project developer in San Diego seeking damages and declaratory relief that SDG&E was entitled to terminate the power purchase agreement and to permit the investment agreement to expire. On April 25, 2014, the Montana court granted the project developer's preliminary injunction motion to prevent SDG&E from terminating the power purchase agreement on the grounds that the project developer would be irreparably harmed if the payments were not made while the parties' respective rights were being determined in the litigation. The court did not rule on the merits of the parties' claims. On July 18, 2014, the Montana Supreme Court determined that the parties' contractual agreement to

Two real property cases have been filed against Energía Costa Azul in which the plaintiffs seek to annul the recorded property

CONTRACTUAL COMMITMENTS

We discuss below significant changes in the first six months of 2015 to contractual commitments discussed in Note 15 of the Notes to Consolidated Financial Statements in the Annual Report.

Natural Gas Contracts

SoCalGas' natural gas purchase and pipeline capacity commitments have decreased by $79 million since December 31, 2014, primarily due to fulfillment of payment obligations and changes to forward natural gas prices in the first six months of 2015. Net future payments are expected to decrease by $77 million in 2015, and $2 million thereafter compared to December 31, 2014.

Sempra Natural Gas' natural gas purchase and transportation commitments have decreased by $227 million since December 31, 2014,

FUTURE MINIMUM PAYMENTS – POWER PURCHASE AGREEMENT		
(Dollars in millions)		
2015	$	—
2016		—
2017		38
2018		65
2019		65
Thereafter		1,460
Total minimum lease payments(1)		1,628
Less: estimated executory costs		(392)
Less: interest(2)		(736)
Present value of net minimum lease payments	$	500

(1) This amount will be recorded over the life of the lease as Cost of Electric Fuel and Purchased Power on Sempra Energy's and SDG&E's Condensed Consolidated Statements of Operations. This expense will receive ratemaking treatment consistent with purchased-power costs, which are recovered in rates.

(2) Amount necessary to reduce net minimum lease payments to estimated present value at the inception of the lease.

Construction and Development Projects

In the first six months of 2015, significant net decreases to contractual commitments at SDG&E were $64 million primarily due to fulfillment of payment obligations, partially offset by an increase in commitments. Net future payments under these contractual commitments are expected to decrease by $125 million in 2015, increase by $35 million in 2016, decrease by $5 million in 2017, and increase by $2 million in 2018, $25 million in 2019 and $4 million thereafter compared to December 31, 2014.

In the first six months of 2015, significant net decreases to contractual commitments at SoCalGas were $108 million primarily due to payments on existing contracts, partially offset by an increase in commitments in the first six months of 2015. Net future payments under these contractual commitments are expected to decrease by $127 million in 2015, and increase by $12 million in 2016 and $7 million in 2017, compared to December 31, 2014.

In the first six months of 2015, significant increases to contractual commitments at Sempra Mexico were $99 million, primarily related to pipeline projects. Net future payments under these contractual commitments are expected to increase by $42 million in 2015, $56 million in 2016, and $1 million thereafter compared to December 31, 2014.

In the first six months of 2015, significant increases to contractual commitments at Sempra Renewables were $275 million for contracts related to the construction of renewable energy projects. The future payments under these contractual commitments are expected to be $41 million in 2015 and $234 million in 2016.

In the first six months of 2015, significant increases to contractual commitments at Sempra Natural Gas were $38 million, primarily for natural gas transportation projects. The future payments under these contractual commitments are all expected to be made in 2015.

OTHER COMMITMENTS

Sempra Natural Gas' other commitments have decreased by $31 million since December 31, 2014. The decrease is due to a long-term operations and maintenance agreement that was assumed by the purchaser of the remaining 625-MW block of the Mesquite Power plant. We provide additional information about the agreement in Notes 3 and 15 of the Notes to Consolidated Financial Statements in the Annual Report.

GUARANTEES

We discuss guarantees related to Sempra Energy in Note 15 of the Notes to Consolidated Financial Statements in the Annual Report.

NUCLEAR INSURANCE

SDG&E and the other owners of SONGS have insurance to cover claims from nuclear liability incidents arising at SONGS. This insurance provides $375 million in coverage limits, the maximum amount available, including coverage for acts of terrorism. In addition, the Price-Anderson Act provides for up to $13.2 billion of secondary financial protection (SFP). If a nuclear liability loss occurring at any U.S. licensed/commercial reactor exceeds the $

required to contribute to the SFP. SDG&E's contribution could be up to $50.93 million. This amount is subject to an annual maximum of $7.6 million, unless a default occurs by any other SONGS owner. If the SFP is insufficient to cover the liability loss, SDG&E could be subject to an additional assessment.

The SONGS owners, including SDG&E, also have $2.75 billion of nuclear property, decontamination, and debris removal insurance, subject to a $2.5 million deductible for "each and every loss." This insurance coverage is provided through Nuclear Electric Insurance Limited (NEIL). The NEIL policies have specific exclusions and limitations that can result in reduced or eliminated coverage. Insured members as a group are subject to retrospective premium assessments to cover losses sustained by NEIL under all issued policies. SDG&E could be assessed up to $9.7 million of retrospective premiums based on overall member claims. Edison, on behalf of itself and the minority owners of SONGS (including SDG&E), has placed NEIL on notice of claims under both the property damage and outage insurance policies as a result of SONGS' Units 2 and 3 outages in early 2012 and the resultant plant closure in June 2013.

The nuclear property insurance program includes an industry aggregate loss limit for non-certified acts of terrorism (as defined by the Terrorism Risk Insurance Act). The industry aggregate loss limit for property claims arising from non-certified acts of terrorism is $3.24 billion. This is the maximum amount that will be paid to insured members who suffer losses or damages from these non-certified terrorist acts.

U.S. DEPARTMENT OF ENERGY (DOE) NUCLEAR FUEL DISPOSAL

The Nuclear Waste Policy Act of 1982 made the DOE responsible for the disposal of spent nuclear fuel. However, it is uncertain when the DOE will begin accepting spent nuclear fuel from SONGS. This delay will lead to increased costs for spent fuel storage. SDG&E will seek recovery for these costs from the appropriate sources, including, but not limited to, SDG&E's Nuclear Decommissioning Trust. SDG&E will also continue to support Edison in its pursuit of legal claims on behalf of the SONGS co-owners against the DOE for its failure to timely accept the spent nuclear fuel.

We provide additional information about SONGS in Note 9 herein and in Note 13 of the Notes to Consolidated Financial Statements in the Annual Report.

NOTE 12. SEGMENT INFORMATION

We have six separately managed reportable segments, as follows:

1. *SDG&E* provides electric service to San Diego and southern Orange counties and natural gas service to San Diego County.

2. *SoCalGas* is a natural gas distribution utility, serving customers throughout most of Southern California and part of central California.

3. *Sempra South American Utilities* operates electric transmission and distribution utilities in Chile and Peru.

4. *Sempra Mexico* develops, owns and operates, or holds interests in, natural gas transmission pipelines and propane and ethane systems, a natural gas distribution utility, electric generation facilities (including wind), a terminal for

SEGMENT INFORMATION

(Dollars in millions)

	Three months ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
REVENUES								
SDG&E	$ 972	41 %	$ 1,063	40 %	$ 1,938	38 %	$ 2,050	37 %
SoCalGas	780	33	917	34	1,828	36	2,002	37

SEGMENT INFORMATION (CONTINUED)

(Dollars in millions)

	Three months ended June 30,				Six months ended June 30,			
	2015		2014		2015		2014	
EQUITY EARNINGS (LOSSES)								
Earnings recorded before tax:								
Sempra Renewables	$ 10		$ 9		$ 12		$ 11	
Sempra Natural Gas	17		14		34		29	
Total	$ 27		$ 23		$ 46		$ 40	
Earnings (losses) recorded net of tax:								
Sempra South American Utilities	$ —		$ —		$ (1)		$ (2)	
Sempra Mexico	22		9		38		17	
Total	$ 22		$ 9		$ 37		$ 15	
EARNINGS (LOSSES)								
SDG&E	$ 126	43 %	$ 123	46 %	$ 273	37 %	$ 222	43 %
SoCalGas(2)	70	24	80	30	284	39	158	31
Sempra South American Utilities	45	15	42	15	86	12	77	15
Sempra Mexico	50	17	34	13	97	13	76	15
Sempra Renewables	19	6	18	7	32	4	46	9
Sempra Natural Gas	40	14	4	1	42	6	13	2
All other	(55)	(19)	(32)	(12)	(82)	(11)	(76)	(15)
Total	$ 295	100 %	$ 269	100 %	$ 732	100 %	$ 516	100 %

	Six months ended June 30,			
	2015		2014	
EXPENDITURES FOR PROPERTY, PLANT & EQUIPMENT				
SDG&E	$ 600	41 %	$ 543	36 %
SoCalGas	603	41	500	33
Sempra South American Utilities	66	5	89	6
Sempra Mexico	120	8	189	13
Sempra Renewables	22	1	122	8
Sempra Natural Gas	28	2	67	4
All other	27	2	3	—
Total	$ 1,466	100 %	$ 1,513	100 %

	June 30, 2015		December 31, 2014	
ASSETS				
SDG&E	$ 16,633	42 %	$ 16,296	41 %
SoCalGas	11,209	28	10,461	26
Sempra South American Utilities	3,312	8	3,379	9
Sempra Mexico	3,568	9	3,488	9
Sempra Renewables	1,312	3	1,338	3
Sempra Natural Gas	5,535	14	6,436	16
All other	893	2	895	2
Intersegment receivables	(2,456)	(6)	(2,561)	(6)
Total	$ 40,006	100 %	$ 39,732	100 %
INVESTMENTS IN EQUITY METHOD INVESTEES				
Sempra South American Utilities	$ (9)		$ (8)	
Sempra Mexico	474		434	
Sempra Renewables	868		911	
Sempra Natural Gas	1,510		1,347	
All other	86		164	
Total	$ 2,929		$ 2,848	

(1) Revenues for reportable segments include intersegment revenues of $3 million, $17 million, $24 million and $46 million for the three months ended June 30, 2015; $5 million, $36 million, $49 million and $89 million for the six months ended June 30, 2015; $2 million, $16 million, $23 million and $80 million for the three months ended June 30, 2014; and $5 million, $34 million, $45 million and $159 million for the six months ended June 30, 2014 for SDG&E, SoCalGas, Sempra Mexico and Sempra Natural Gas, respectively.

(2) After preferred dividends.

NOTE 13. SUBSEQUENT EVENT

SEMPRA MEXICO

IEnova and Petróleos Mexicanos (or PEMEX, the Mexican state-owned oil company), are 50-50 partners in the joint venture Gasoductos de Chihuahua (GdC). On July 31, 2015, IEnova entered into an agreement to purchase PEMEX's 50-percent interest for $1.325 billion (excluding the assumption of approximately $170 million of net debt), increasing its interest from 50 percent to 100 percent. GdC develops and operates energy infrastructure in Mexico. The assets involved in the acquisition include three natural gas pipelines, an ethane pipeline, and a liquid petroleum gas pipeline and associated storage terminal. The transaction excludes the

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Condensed Consolidated Financial Statements and the Notes thereto contained in this Form 10-Q, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and the Notes thereto contained in our 2014 Annual Report on Form 10-K (Annual Report) and "Risk Factors" contained in our Annual Report.

OVERVIEW

Sempra Energy is a Fortune 500 energy-services holding company whose operating units invest in, develop and operate energy infrastructure, and provide gas and electricity services to their customers in North and South America. Our operations are divided principally between our California Utilities, which are San Dieg

SEMPRA INTERNATIONAL		
	MARKET	**GEOGRAPHIC REGION**
SEMPRA SOUTH AMERICAN UTILITIES Infrastructure supports electric transmission and distribution	Á Provides electricity to approximately 2.4 million consumers (approximately 657,000 meters) in Chile and approximately 4.8 million consumers (approximately 1,029,000 meters) in Peru	Á Chile Á Peru
SEMPRA MEXICO Develops, owns and operates, or holds interests in: Á natural gas transmission pipelines and propane and ethane systems Á a natural gas distribution utility Á electric generation facilities, including wind Á a terminal for the import of liquefied natural gas (LNG) Á marketing operations for the purchase of LNG and the purchase and sale of natural gas	Á Natural gas Á Wholesale electricity Á Liquefied natural gas	Á Mexico

SEMPRA U.S. GAS & POWER		
	MARKET	**GEOGRAPHIC REGION**
SEMPRA RENEWABLES Develops, owns, operates, or holds interests in renewable energy generation projects	Á Wholesale electricity	Á U.S.A.
SEMPRA NATURAL GAS Develops, owns and operates, or holds interests in: Á natural gas pipelines and storage facilities Á natural gas distribution utilities Á a terminal in the U.S. for the import and export of LNG and sale of natural gas Á marketing operations	Á Natural gas Á Liquefied natural gas Á Wholesale electricity	Á U.S.A.

The net increases in our earnings and diluted earnings per share for the six-month period ended June 30, 2015 were primarily due to the following increases (decreases), by segment:

SDG&E

- $33 million higher earnings from CPUC base operations and from electric transmission
- $13 million reduction to the loss from plant closure in 2015 based on CPUC approval of a compliance filing related to SDG&E's authorized recovery of its investment in San Onofre Nuclear Generating Station (SONGS) compared to a $9 million increase to the loss in 2014 as a result of reaching a preliminary settlement agreement on the closure, as we discuss in Note 9 of the Notes to Condensed Consolidated Financial Statements herein

SoCalGas

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SEGMENT RESULTS

The following section is a discussion of earnings (losses) by Sempra Energy segment, as presented in the table above. Variance amounts are the after-tax earnings impact (based on applicable statutory tax rates), unless otherwise noted.

EARNINGS BY SEGMENT – CALIFORNIA UTILITIES

(Dollars in millions)

SDG&E

Our SDG&E segment recorded earnings of:

- $126 million in the three months ended June 30, 2015
- $123 million in the three months ended June 30, 2014
- $273 million for the first six months of 2015
- $222 million for the first six months of 2014

The increase in earnings of $3 million (2%) in the three months ended June 30, 2015 was primarily due to:

- $10 million favorable resolution of prior years' income tax items;
- $8 million higher CPUC base operating margin authorized for 2015, net of higher non-refundable operating costs; and
- $7 million higher earnings from electric transmission operations primarily due to higher rate base; **offset by**
- $8 million higher earnings in 2014 associated with SDG&E's annual Federal Energy Regulatory Commission (FERC) formulaic rate adjustment;
- $4 million favorable settlement in 2014 associated with a long-term service agreement (LTSA);
-

The increase in earnings of $51 million (23%) in the first six months of 2015 was primarily due to:

- $13 million reduction to the loss from plant closure in 2015 based on the CPUC approval of a compliance filing related to SDG&E's authorized recovery of its investment in SONGS compared to a $9 million increase to the loss in 2014 as a result of reaching a preliminary settlement agreement on the closure;
- $21 million higher CPUC base operating margin authorized for 2015, and lower non-refundable operating costs;
- $12 million higher earnings from electric transmission operations primarily due to higher rate base; and
- $10 million favorable resolution of prior years' income tax items; **offset by**
- $7 million higher earnings in 2014 associated with SDG&E's FERC formulaic rate adjustment; and
- $3 million favorable settlement in 2014 associated with an LTSA.

SoCalGas

Our SoCalGas segment recorded earnings of:

- $70 million in the three months ended June 30, 2015 ($71 million before preferred dividends)
- $80 million in the three months ended June 30, 2014 ($81 million before preferred dividends)
- $284 million for the first six months of 2015 ($285 million before preferred dividends)
- $158 million for the first six months of 2014 ($159 million before preferred dividends)

The decrease in earnings of $10 million (13%) in the three months ended June 30, 2015 was primarily due to:

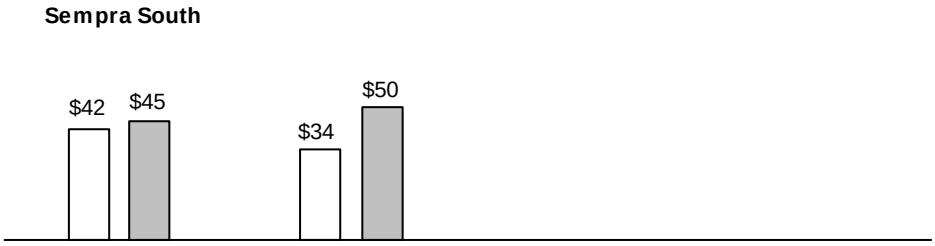
- $48 million lower earnings resulting from the seasonalization of interim period recognition of annual core gas authorized revenue starting in 2015 (after-tax impact is based on SoCalGas' effective tax rate); **offset by**
- $13 million of earnings from a CPUC-approved retroactive increase in authorized GRC revenue requirement for years 2012 through 2014 and the first quarter of 2015 due to increased rate base, as we discuss in Note 10 of the Notes to Condensed Consolidated Financial Statements herein;
- $7 million due primarily to a lower effective tax rate, as we discuss under "Income Taxes" below, including $3 million favorable resolution of prior years' income tax items in 2015;
- $6 million higher CPUC base operating margin authorized for 2015, and lower non-refundable operating costs;
- $6 million write-off in 2014 of certain costs incurred that were disallowed for recovery in the final PSEP decision, as we discuss in Note 10 of the Notes to Condensed Consolidated Financial Statements herein;
- $6 million from the favorable resolution of a legal settlement in 2015, including $2 million of related interest income; and
- $4 million increase in allowance for funds used during construction (AFUDC) related to equity.

The increase in earnings of $126 million (80%) in the first six months of 2015 was primarily due to:

- $65 million incremental earnings resulting from the seasonalization of interim period recognition of annual core gas authorized revenue starting in 2015 (after-tax impact is based on SoCalGas' effective tax rate);
- $16 million higher CPUC base operating margin authorized for 2015, and lower non-refundable operating costs;
- $11 million of earnings from a CPUC-approved retroactive increase in authorized GRC revenue requirement for years 2012 through 2014 due to increased rate base;
- $11 million due primarily to a lower effective tax rate, as we discuss under "Income Taxes" below, including $3 million favorable resolution of prior years' income tax items in 2015;
- $8 million from the GCIM award approved by the CPUC in February 2015;
- $8 million increase in AFUDC related to equity;
- $6 million write-off in 2014 of certain costs incurred that were disallowed for recovery in the final PSEP decision; and
- $6 million from the favorable resolution of a legal settlement in 2015, including $2 million of related interest income.

EARNINGS BY SEGMENT – SEMPRA INTERNATIONAL

(Dollars in millions)



Sempra South American Utilities

Our Sempra South American Utilities segment recorded earnings of:

- $45 million in the three months ended June 30, 2015
- $42 million in the three months ended June 30, 2014
- $86 million for the first six months of 2015
- $77 million for the first six months of 2014

The increase in earnings of $3 million (7%) in the three months ended June 30, 2015 was primarily due to:

- $6 million higher earnings from operations mainly in Peru due to an increase in rates and volumes; **offset by**
- $5 million lower earnings from foreign currency effects.

The increase in earnings of $9 million (12%) in the first six months of 2015 was primarily due to:

- $10 million higher earnings from operations mainly in Peru due to an increase in rates and volumes; and
- $4 million lower interest expense mainly in Chile related to inflationary effect on local bonds; **offset by**
- $9 million lower earnings from foreign currency effects.

Sempra Mexico

Our Sempra Mexico segment recorded earnings of:

- $50 million in the three months ended June 30, 2015
- $34 million in the three months ended June 30, 2014
- $97 million for the first six months of 2015
- $76 million for the first six months of 2014

The increase in earnings of $16 million (47%) in the three months ended June 30, 2015 was primarily due to:

- $17 million higher pipeline earnings, primarily due to the start of operations of the Los Ramones I pipeline and a section of the Sonora pipeline in the fourth quarter of 2014; and

- $6 million income tax variance primarily due to the effects from foreign currency and inflation; **offset by**
- $5 million increase in earnings attributable to noncontrolling interests at IEnova; and
- $3 million unfavorable translation effect primarily on Peso-denominated receivables.

The increase in earnings of $21 million (28%) in the first six months of 2015 was primarily due to:

- $31 million higher pipeline earnings, primarily due to the start of operations of the Los Ramones I pipeline and a section of the Sonora pipeline in the fourth quarter of 2014; and
- $9 million income tax variance primarily due to the effects from foreign currency and inflation; **offset by**
- $6 million increase in earnings attributable to noncontrolling interests at IEnova;
- $5 million lower earnings from LNG marketing operations;
- $5 million unfavorable translation effect primarily on Peso-denominated receivables; and
- $4 million lower earnings from operations at our Mexicali power plant from lower prices and volumes in 2015.

EARNINGS BY SEGMENT – SEMPRA U.S. GAS & POWER

(Dollars in millions)

Sempra Renewables

Our Sempra Renewables segment recorded earnings of:

- $19 million in the three months ended June 30, 2015
- $18 million in the three months ended June 30, 2014
- $32 million for the first six months of 2015
- $46 million for the first six months of 2014

Earnings for the three months ended June 30, 2015 were consistent with earnings for the three months ended June 30, 2014.

The decrease in earnings of $14 million (30%) in the first six months of 2015 was primarily due to a $16 million gain in 2014 from the sale of a 50-percent equity interest in Copper Mountain Solar 3.

Sempra Natural Gas

Our Sempra Natural Gas segment recorded earnings of:

- $40 million in the three months ended June 30, 2015
- $4 million in the three months ended June 30, 2014
- $42 million for the first six months of 2015
- $13 million for the first six months of 2014

CHANGES IN REVENUES, COSTS AND EARNINGS

This section contains a discussion of the differences between periods in the specific line items of the Condensed Consolidated Statements of Operations for Sempra Energy, SDG&E and SoCalGas.

Utilities Revenues

Our utilities revenues include

Natural gas revenues at:

- SDG&E
- SoCalGas
- Sempra Mexico's Ecogas México, S. de R.L. de C.V. (Ecogas)
- Sempra Natural Gas' Mobile Gas Service Corporation (Mobile Gas) and Willmut Gas Company (Willmut Gas)

Electric revenues at:

- SDG&E
- Sempra South American Utilities' Chilquinta Energía S.A. (Chilquinta Energía) and Luz del Sur S.A.A. (Luz del Sur)

Intercompany revenues included in the separate revenues of each utility are eliminated in the Sempra Energy Condensed Consolidated Statements of Operations.

The California Utilities

The current regulatory framework for SoCalGas and SDG&E permits the cost of natural gas purchased for core customers (primarily (Tw( )hs8( )]io9 p(p)-1.r-4.Gasera

The table below summarizes revenues and cost of sales for our utilities, net of intercompany activity:

UTILITIES REVENUES AND COST OF SALES *(Dollars in millions)*	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Electric revenues:				
SDG&E	$ 874	$ 948	$ 1,679	$ 1,759
Sempra South American Utilities	363	364	726	718
Eliminations and adjustments	(2)	(3)	(4)	(5)
Total	1,235	1,309	2,401	2,472
Natural gas revenues:				
SoCalGas	780	917	1,828	2,002
SDG&E	98	115	259	291
Sempra Mexico	19	26	44	59
Sempra Natural Gas	18	20	60	67
Eliminations and adjustments	(17)	(17)	(37)	(36)
Total	898	1,061	2,154	2,383
Total utilities revenues	$ 2,133	$ 2,370	$ 4,555	$ 4,855
Cost of electric fuel and purchased power:				
SDG&E	$ 251	$ 329	$ 479	$ 595
Sempra South American Utilities	247	242	500	486
Total	$ 498	$ 571	$ 979	$ 1,081
Cost of natural gas:				
SoCalGas	$ 196	$ 321	$ 463	$ 829

- $15 million lower recovery of costs associated with CPUC-authorized refundable programs, which revenues are fully offset in operation and maintenance expenses, *offset by*
- $43 million higher revenues from CPUC-authorized 2015 attrition and, starting in 2015, authorized revenues for the recovery of the SONGS regulatory assets pursuant to an amended settlement agreement approved by the CPUC in 2014, and
- $17 million higher authorized revenues from electric transmission, **offset by**

Á $8 million increase at Sempra South American Utilities, primarily due to higher rates and volumes at both Luz del Sur and Chilquinta Energía, offset by foreign currency exchange rate effects.

Our utilities' cost of electric fuel and purchased power decreased by $102 million (9%) to $979 million in the six months ended June 30, 2015 due to:

Á $116 million decrease at SDG&E, which we discuss below; **offset by**

Á $14 million increase at Sempra South American Utilities driven primarily by higher rates and volumes at both Luz del Sur and Chilquinta Energía, offset by foreign currency exchange rate effects.

We discuss the changes in electric revenues and the cost of electric fuel and purchased power for SDG&E in more detail below.

Natural Gas Revenues

During the three months ended June 30, 2015, Sempra Energy's natural gas revenues decreased by $163 million (15%) to $898 million, and the cost of natural gas decreased by $156 million (39%) to $239 million. The decrease in natural gas revenues included

Á decreases in cost of natural gas sold at SoCalGas and SDG&E, as we discuss below; and

Á $72 million decrease resulting from the seasonalization of interim period recognition of annual core gas authorized revenue at SoCalGas starting in 2015; **offset by**

Á $21 million higher revenues from CPUC-authorized 2015 attrition at the California Utilities;

Á $21 million increase at SoCalGas from a CPUC-approved retroactive increase in authorized GRC revenue requirement for years 2012 through 2014 and the first quarter of 2015 due to increased rate base; and

Á $18 million higher recovery of costs at SoCalGas associated with CPUC-authorized refundable programs, which revenues are fully offset in operation and maintenance expenses.

During the first six months of 2015, Sempra Energy's natural gas revenues decreased by $229 million (10%) to $2.2 billion, and the cost of natural gas decreased by $430 million (42%) to $585 million. The decrease in natural gas revenues included

Á decreases in cost of natural gas sold at SoCalGas and SDG&E, as we discuss below; **offset by**

Á $91 million increase resulting from the seasonalization of interim period recognition of annual core gas authorized revenue at SoCalGas starting in 2015;

Á $36 million higher revenues from CPUC-authorized 2015 attrition at the California Utilities;

Á $31 million higher recovery of costs at SoCalGas associated with CPUC-authorized refundable programs, which revenues are fully offset in operation and maintenance expenses;

Á $19 million increase at SoCalGas from a CPUC-approved retroactive increase in authorized GRC revenue requirement for years 2012 through 2014 due to increased rate base; and

Á $14 million GCIM award approved by the CPUC in February 2015 at SoCalGas.

We discuss the changes in natural gas revenues and the cost of natural gas individually for SDG&E and SoCalGas below.

SDG&E: Electric Revenues and Cost of Electric Fuel and Purchased Power

The table below shows electric revenues for SDG&E. Because the cost of electricity is substantially recovered in rates, changes in the cost are reflected in the changes in revenues. In addition to the change in cost, electric revenues recorded during a period are impacted by customer billing cycles causing a difference between customer billings and recorded or authorized costs. These differences are required to be balanced over time, resulting in over- and undercollected regulatory balancing accounts. We discuss balancing accounts and their effects further in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

SDG&E

ELECTRIC DISTRIBUTION AND TRANSMISSION

(Volumes in millions of kilowatt-hours, dollars in millions)

	Six months ended June 30, 2015		Six months ended June 30, 2014	
Customer class	Volumes	Revenue	Volumes	Revenue
Residential	3,227	$ 610	3,383	$ 581
Commercial	3,223	656	3,311	606
Industrial	985	162	986	147
Direct access(1)	1,696	106	1,704	88
Street and highway lighting	41	8	44	7
	9,172	1,542	9,428	1,429
CAISO shared transmission revenue - net(2)		126		115
Other revenues		101		81
Balancing accounts		(90)		134
Total(3)		$ 1,679		$ 1,759

(1) The Direct Access (DA) program, which offered all customers the option to purchase

SDG&E and SoCalGas: Natural Gas Revenues and Cost of Natural Gas

The tables below show natural gas revenues for SDG&E and SoCalGas. Because the cost of natural gas is recovered in rates, changes in the cost are reflected in the changes in revenues. In addition to the change in market prices, natural gas revenues recorded during a period are impacted by the difference between customer billings and recorded or CPUC-authorized costs. These differences are required to be balanced over time, resulting in over- and undercollected regulatory balancing accounts. We discuss balancing accounts and their effects further in Note 1 of the Notes to Consolidated Financial Statements in the Annual Report.

SDG&E

NATURAL GAS SALES AND TRANSPORTATION

(Volumes in billion cubic feet, dollars in millions)

	Natural gas sales		Transportation		Total	
Customer class	Volumes	Revenue	Volumes	Revenue	Volumes	Revenue

SOCALGAS NATURAL GAS SALES AND TRANSPORTATION *(Volumes in billion cubic feet, dollars in millions)*								
	Natural gas sales			Transportation			Total	
Customer class	Volumes		Revenue	Volumes		Revenue	Volumes	Revenue
Six months ended June 30, 2015:								
Residential	102	$	1,036	2	$	10	104	$ 1,046
Commercial and industrial	48		324	141		126	189	450
Electric generation plants	—		—	69		16	69	16
Wholesale	—		—	73		13	73	13
	150	$	1,360	285	$	165	435	1,525
Other revenues								90
Balancing accounts								213
Total(1)								$ 1,828
Six months ended June 30, 2014:								
Residential	109	$	1,189	1	$	6	110	$ 1,195
Commercial and industrial	48		411	145		132	193	543
Electric generation plants	—		—	85		20	85	20
Wholesale	—		—	72		13	72	13
	157	$	1,600	303	$	171	460	1,771
Other revenues								49
Balancing accounts								182
Total(1)								$ 2,002

(1) Includes sales to affiliates of $36 million in 2015 and $34 million in 2014.

During the three months ended June 30, 2015, SoCalGas' natural gas revenues decreased by $137 million (15%) to $780 million, and the cost of natural gas sold decreased by $125 million (39%) to $196 million. The revenue decrease included

- the decrease in the cost of natural gas sold, offset by higher sales volumes, as we discuss below; and
- $72 million decrease resulting from the seasonalization of interim period recognition of annual core gas authorized revenue starting in 2015; **offset by**
- $21 million increase from a CPUC-approved retroactive increase in authorized GRC revenue requirement for years 2012 through 2014 and the first quarter of 2015 due to increased rate base;
- $18 million higher recovery of costs associated with CPUC-authorized refundable programs, which revenues are fully offset in operation and maintenance expenses;
- $17 million increase in revenues from CPUC-authorized 2015 attrition; and
- $9 million write-off in 2014 of certain costs incurred that were disallowed for recovery in the final PSEP decision.

SoCalGas' average cost of natural gas for the three months ended June 30, 2015 was $3.08 per Mcf compared to $5.28 per Mcf for the corresponding period in 2014, a 42-percent decrease of $2.20 per Mcf, resulting in lower revenues and cost of $140 million. The decrease in the average cost of natural gas sold was offset by higher sales volumes, which resulted in higher revenues and cost of $15 million. The higher sales volumes were mainly driven by cooler weather in the second quarter of 2015 compared to the same quarter in 2014.

During the six months ended June 30, 2015, SoCalGas' natural gas revenues decreased by $174 million (9%) to $1.8 billion, and the cost of natural gas sold decreased by $366 million (44%) to $463 million. The revenue decrease included

- the decrease in the cost of natural gas sold, as we discuss below; **offset by**
- $91 million increase resulting from the seasonalization of interim period recognition of annual core gas authorized revenue starting in 2015;
- $31 million higher recovery of costs associated with CPUC-authorized refundable programs, which revenues are fully offset in operation and maintenance expenses;
- $31 million higher revenues from CPUC-authorized 2015 attrition;
- $19 million increase from a CPUC-approved retroactive increase in authorized GRC revenue requirement for years 2012 through 2014 due to increased rate base;
- $14 million GCIM award approved by the CPUC in February 2015; and

Sempra Energy Consolidated

Cash provided by operating activities at Sempra Energy increased in 2015 primarily due to:

- $300 million higher net income, adjusted for noncash items included in earnings, in 2015 compared to 2014, primarily due to improved operations and lower cost of electric fuel and purchased power at SDG&E, as well as the impact of the seasonalization during interim periods of authorized core customer revenue in 2015 at SoCalGas, as we discuss in "Results of Operations" above. The impact of seasonalization in net income is offset by working capital changes in regulatory balancing accounts;
- $37 million net increase in net undercollected regulatory balancing accounts in 2015 at the California Utilities (including long-term amounts included in regulatory assets) compared to a $289 million net increase in 2014. Over- and undercollected regulatory balancing accounts reflect the difference between customer billings and recorded or CPUC-authorized costs. These differences are required to be balanced over time. See further discussion of changes in regulatory balances at both SDG&E and SoCalGas below; and
- $124 million decrease in inventories in 2015 compared to a $16 million decrease in 2014, primarily due to higher net withdrawal and lower prices of natural gas at SoCalGas; **offset by**
- $198 million decrease in accounts payable in 2015 compared to a $29 million increase in 2014, primarily due to lower purchase volume and lower average cost of natural gas purchased at SoCalGas;
- $112 million increase in greenhouse gas allowances ($79 million at SDG&E and $33 million at SoCalGas);
- $41 million increase in the seasonal asset related to temporary LIFO liquidation in 2015 at SoCalGas, primarily due to changes in natural gas inventory value, as we discuss in Note 5 of the Notes to Condensed Consolidated Financial Statements herein; and
- $216 million decrease in accounts receivable in 2015 compared to a $260 million decrease in 2014.

SDG&E

Cash provided by operating activities at SDG&E increased in 2015 primarily due to:

- $102 million decrease in net undercollected regulatory balancing accounts in 2015 compared to a $152 million increase in 2014 (including long-term amounts included in regulatory assets). The impact of the change in the regulatory balancing accounts on cash provided by operating activities was primarily due to:
  - $13 million increase in 2015 compared to a $200 million increase in 2014 in the undercollected balance for electric commodity costs and costs at SDG&E's electric generating facilities; and
  - $31 million decrease in 2015 compared to a $44 million increase in 2014 in the undercollected balance in the electric rate design balancing account; and
- $63 million higher net income, adjusted for noncash items included in earnings, in 2015 compared to 2014,

- $139 million increase in net undercollected regulatory balancing accounts in 2015 (including long-term amounts included in regulatory assets) compared to a $137 million increase in 2014, primarily due to:
  - $127 million increase in 2015 compared to an $82 million increase in 2014 in the undercollected balance associated with the fixed cost balancing accounts, *offset by*
  - $56 million decrease in 2015 compared to a $93 million decrease in 2014 in the overcollected balance associated with public purpose programs.

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ANNUAL CONSTRUCTION EXPENDITURES AND INVESTMENTS

The amounts and timing of capital expenditures are generally subject to approvals by various regulatory and other governmental and environmental bodies, including the CPUC and the Federal Energy Regulatory Commission (FERC). However, in 2015, we expect to make capital expenditures and investments of approximately $3.5 billion. These expenditures include

- $2.4 billion at the California Utilities for capital projects and plant improvements ($1.1 billion at SDG&E and $1.3 billion at SoCalGas)
- $1.1 billion at our other subsidiaries for capital projects in Mexico and South America, and development of LNG, natural gas and renewable generation projects

The California Utilities' 2015 planned capital expenditures and investments include

SDG&E

- $700 million for improvements to natural gas and electric distribution systems
- $400 million for improvements to electric transmission systems

SoCalGas

- $1.1 billion for improvements to distribution, transmission and storage systems, and for pipeline safety
- $210 million for advanced metering infrastructure
- $30 million for other natural gas projects

The California Utilities expect to finance these expenditures and investments with cash flows from operations and debt issuances.

In 2015, the expected capital expenditures and investments of approximately $1.1 billion (excluding amounts expended by joint ventures and net of anticipated project financing and joint venture structures as noted below) at our other subsidiaries include

Sempra South American Utilities

- approximately $210 million for capital projects in South America (approximately $160 million and $50 million in Peru and Chile, respectively), primarily related to improvements to electric transmission and distribution systems

Sempra Mexico

- approximately $430 million for capital projects in Mexico, net of project financing, including approximately $380 million for the development of the Sonora, Ojinaga, and San Isidro - Samalayuca pipeline projects, all developed solely by Sempra Mexico. These amounts exclude the pending acquisition of our joint venture partner's 50-percent interest in GdC, as we discuss in Note 13 of the Notes to Condensed Consolidated Financial Statements herein. Also, following the pending acquisition, Sempra Mexico would fund 100 percent of the joint venture's projects, excluding the Los Ramones Norte pipeline project

Sempra Renewables

- approximately $120 million for the development of wind and solar renewable projects, including the Black Oak Getty wind project, Mesquite Solar 2, Mesquite Solar 3 and Copper Mountain Solar 4

Sempra Natural Gas

- approximately $320 million for development of LNG and natural gas transportation projects, including
  - approximately $160 million equity investment in Rockies Express
  - approximately $50 million capitalized interest related to our investment in the Cameron LNG JV project, and $60 million for development of the Cameron Interstate Pipeline

Parent and Other

- approximately $40 million related to the build-to-suit lease for Sempra Energy's new headquarters

Capital expenditure amounts include capitalized interest. At the California Utilities, the amounts also include the portion of AFUDC

CASH FLOWS FROM FINANCING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES *(Dollars in millions)*	Six months ended June 30, 2015	2015 Change	Six months ended June 30, 2014
Sempra Energy Consolidated	$ 50	$ (422)	$ 472
SDG&E	71	(64)	135
SoCalGas	545	519	26

Sempra Energy Consolidated

Cash provided by financing activities at Sempra Energy decreased in 2015 primarily due to:

- $798 million lower issuances of debt, including a decrease in commercial paper and other short-term debt borrowings with maturities greater than 90 days of $1.2 billion ($19 million increase in 2015 compared to $1.2 billion in 2014), offset by an increase in issuances of long-term debt of $373 million ($1.5 billion in 2015 compared to $1.2 billion in 2014); and
- $339 million decrease in short-term debt in 2015 compared to a $54 million decrease in 2014; **offset by**
- $629 million lower payments on debt, including lower payments of long-term debt of $931 million ($172 million in 2015 compared to $1.1 billion in 2014), offset by higher payments of commercial paper and other short-term debt with maturities greater than 90 days of $302 million ($674 million in 2015 compared to $372 million in 2014).

SDG&E

Cash provided by financing activities at SDG&E decreased in 2015 primarily due to:

- $206 million decrease in short-term debt in 2015 compared to a $68 million increase in 2014; and
- $85 million higher payments on long-term debt in 2015; **offset by**
- $288 million higher issuances of long-term debt in 2015.

SoCalGas

Cash provided by financing activities at SoCalGas increased in 2015 primarily due to:

- $351 million higher issuances of long-term debt in 2015; and
- $250 million payments on long-term debt in 2014; **offset by**
-

CALIFORNIA UTILITIES

Overview

We provide additional information regarding these rulemaking proceedings and the California Utilities' PSEP in Note 14 of the Notes to Consolidated Financial Statements in the Annual Report and in Note 10 of the Notes to Condensed Consolidated Financial Statements herein.

Safety Enforcement

California Senate Bill (SB) 291, enacted in October 2013, requires the CPUC to develop and implement a safety enforcement program that includes procedures for monitoring, data tracking and analysis, and investigations, as well as delegating citation authority to CPUC staff personnel under the direction of the CPUC Executive Director. SB 291 requires the CPUC to implement the enforcement program for gas safety by July 1, 2014 and for electric safety by January 1, 2015. In exercising the citation authority, the CPUC staff will take into account voluntary reporting of potential violations, voluntary resolution efforts und

- Nuclear Decommissioning Trusts

In Note 11:

- Legal Proceedings – SDG&E – Lawsuit Against Mitsubishi Heavy Industries, Ltd.
- Nuclear Insurance
- U.S. Department of Energy (DOE) Nuclear Fuel Disposal

We also discuss SONGS in Notes 13 and 15 of the Notes to Consolidated Financial Statements in the Annual Report, and in "Risk Factors" in the Annual Report.

Investment in Wind Farm

In 2011, the CPUC and FERC approved SDG&E's estimated $285 million tax equity investment in the Rim Rock wind farm project. SDG&E and the project developer are in dispute regarding whether all conditions precedent in the contribution agreement have been

2017 or when SDG&E reaches its existing NEM program limit, which may occur as early as the second half of 2016. For additional discussion, see “Risk Factors” in the Annual Report.

SoCalGas Matter

Triennial Cost Allocation Proceeding (TCAP) – Adoption of Seasonal Factors

The TCAP decision issued by the CPUC in June 2014 requires SoCalGas to recognize interim period revenue for its core natural gas customers by applying seasonal factors to its annual authorized revenue beginning in 2015, instead of recognizing such revenue ratably over the year as was previously required. While this “seasonalization” will not impact SoCalGas’ cash flows or total calendar year revenue and earnings for 2015 or beyond, and does not change the annual total authorized revenue or our earnings from that revenue, it will cause variability in revenue and earnings from quarter to quarter. We expect that core natural gas customer authorized revenue recognized in the first and fourth quarters of each year will be higher (approximately 34 percent in the first quarter and 29 percent in the fourth quarter) than that recognized in the second and third quarters of each year (approximately 21 percent in the second quarter and 16 percent in the third quarter). This seasonalization resulted in a decrease to Sempra Energy’s and SoCalGas’ revenue and earnings for the three-month period ended June 30, 2015 of $72 million and $48 million, respectively, and an increase to Sempra Energy’s and SoCalGas’ revenue and earnings for the six-month period ended June 30, 2015 of $91 million and $65 million, respectively, compared to the same periods in 2014. Also as a result of seasonalization, beginning in 2015, substantially all of SoCalGas’ annual earnings will be recognized in the first and fourth quarters of the year. The reduced revenue expected to be recognized in the second and third quarters of each year could result in losses for SoCalGas in these quarters.

Industry Developments and Capital Projects

We describe capital projects, electric and natural gas regulation and rates, and other pending proceedings and investigations that affect the California Utilities in Note 10 of the Notes to Condensed Consolidated Financial Statements herein and in Note 14 of the Notes to Consolidated Financial Statements in the Annual Report.

SEMPRA INTERNATIONAL

As we discuss in “Cash Flows From Investing Activities,” our investments will significantly impact our future performance. In addition to the discussion below, we provide information about these investments in “Capital Resources and Liquidity” herein and in the “Capital Resources and Liquidity” and “Factors Influencing Future Performance” sections of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Annual Report.

Sempra South American Utilities

Overview

In connection with the increase in 2011 of our interests in our two utilities in South America, Chilquinta Energía and Luz del Sur, Sempra Energy has $788 million in goodwill on its Condensed Consolidated Balance Sheet at June 30, 2015. Goodwill is subject to impairment testing, annually and under other potential circumstances, which may cause its fair value to vary if differing estimates and assumptions are used in the valuation techniques applied as indicated by changing market or other conditions.

Sempra South American Utilities has historically provided relatively stable earnings and liquidity, and its performance will depend primarily on the ratemaking and regulatory process, environmental regulations, foreign currency rate fluctuations and economic conditions. Sempra South American Utilities is also expected to provide earnings from construction projects when completed and from other investments, but will require substantial funding for these investments.

Revenues at Chilquinta Energía are based on tariffs set by the National Energy Commission (Comisión Nacional de Energía, or CNE) every four years. Rates for four-year periods related to distribution and sub-transmission are reviewed separately on an alternating basis every two years. In late 2011, Chilquinta Energía initiated the process to establish its distribution rates for the period from November 2012 to October 2016. This process was completed in November 2012, with rates published in April 2013, and tariff adjustments going into effect retroactively from November 2012. This resulted in a 3.2 percent decrease in rates.

In April 2013, the CNE completed the process to establish sub-transmission rates for the period January 2011 to December 2014, with tariff adjustments going into effect retroactively from January 2011. This resulted in immaterial changes in rates. The sub-transmission rates period has been extended for one year, for one time only, to December 2015, due to a change in law issued in December 2014. Accordingly, the next reviews are scheduled to be completed, with tariff adjustments also going into effect, in January 2016 for sub-transmission, and again for distribution in November 2016. Sub-transmission will cover the period from January 2016 to December 2019 and distribution will cover the period from November 2016 to October 2020.

Luz del Sur serves primarily regulated customers in Peru and revenues are based on rates set by the Energy and Mining Investment Supervisory Body (Organismo Supervisor de la Inversión en Energía y Minería, or OSINERGMIN). The rates are reviewed and adjusted every four years. OSINERGMIN's final distribution rate setting resolution for the 2013-2017 period was published in October 2013 and went into effect on November 1, 2013. There was no material change in the rates.

In September 2014, tax reform legislation was passed in Chile. The main amendments established in the tax reform include, among others, a gradual increase in the corporate income tax rate and the introduction of two options to pay the secondary tax (shareholder tax) on corporate profits (either immediate payment of tax or deferment of tax until earnings are distributed) with different impacts to the total income tax burden. We discuss this tax reform in "Results of Operations – Changes in Revenues, Costs and Earnings – Income Taxes" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report.

In December 2014, the Peruvian government passed a tax reform law. Among other changes, the new law gradually reduces the 30 percent corporate tax rate in 2014 to 26 percent by 2019 with an offsetting increase in the withholding tax rate on dividends. We discuss this tax reform in "Results of Operations – Changes in Revenues, Costs and Earnings – Income Taxes" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report.

Field, technical and administrative employees at Luz del Sur are represented by the Unified Trade Union of Electricity Workers of Lima and Callao, and the Trade Union of Employees of Electrolima. A collective bargaining agreement was signed in February 2015 with both of these trade unions covering these employees and was also extended to 149 nonrepresented employees. It covers wages, working conditions and other benefit plans, and is in effect from January 1, 2015 through December 31, 2015.

Santa Teresa

Luz del Sur is in the final stages of completion of Santa Teresa, a 100-MW hydroelectric power plant in Peru's Cusco region. Construction has been completed and we expect it to be in commercial operation in the third quarter of 2015.

Transmission Projects

Chilquinta Energía. Chilquinta Energía has 50-percent ownership in two joint ventures, Eletrans S.A. and Eletrans II S.A., with Sociedad Austral de Electricidad Sociedad Anónima (SAESA) to construct transmission lines in Chile.

In May 2012, Eletrans S.A. was awarded two 220-kilovolt (kV) transmission lines in Chile. The transmission lines will extend 150

remain at the current 25 percent. The transaction is subject to approval by IEnova shareholders, satisfactory completion of the Mexican anti-trust review and other customary closing conditions and is expected to close in the fourth quarter of 2015.

IEnova currently accounts for its 50-percent interest in GdC as an equity method investment. At closing, GdC will become a wholly owned, consolidated subsidiary of IEnova. We anticipate that we will recognize a noncash gain associated with the remeasurement of our equity interest in GdC upon consummation of the transaction. However, as the transaction is not expected to close until the fourth quarter of 2015, we are unable to estimate the gain at this time.

We discuss the financing of the transaction above, under “Capital Resources and Liquidity – Sempra Mexico.” After financing at the IEnova level, we expect the acquisition to be accretive to Sempra

Energía Sierra Juárez

In 2014, we consummated the sale of a 50-percent equity interest in the first phase of Energía Sierra Juárez to a wholly owned subsidiary of InterGen N.V. The project is designed to provide up to 1,200 MW of capacity if fully developed. The 155-MW first

10, 15 and 20 of the contract term, or upon earlier termination of the agreement. In March 2014, we completed the sale of 50 percent of our equity in Copper Mountain Solar 3 to Con Edison Development, as we discuss in Note 3 of the Notes to Condensed Consolidated Financial Statements herein.

In July 2014, Sempra Renewables signed a 20-year power sale agreement with Southern California Edison Company (Edison) for all of the solar power from Copper Mountain Solar 4 beginning in 2020. We expect Copper Mountain Solar 4 to be in service in 2016, marketing its output prior to the commencement of the power sale agreement. Copper Mountain Solar 4 will total 94 MW when completed. The CPUC approved the power sale agreement in March 2015.

Mesquite Solar

Mesquite Solar is a photovoltaic generation facility under development by Sempra Renewables in Maricopa County, Arizona. If fully developed, the project will be capable of producing up to approximately 700 MW of solar power with 150 MW currently in operation in a joint venture with Con Edison Development. In June 2015, Sempra Renewables signed a 20-year power sale agreement with Edison for 100 MW of solar power from the second phase of Mesquite Solar. The power sale agreement is subject to approval by the CPUC. In July 2015, Sempra Renewables signed a 25-year power sale agreement with the Western Area Power Administration for 150-MW of solar power from the third phase of Mesquite Solar. We expect the second and third phases of Mesquite Solar to be in service in 2016.

Sempra Natural Gas

Mesquite Power Natural Gas-Fired Plant

In February 2013, Sempra Natural Gas completed the sale of one 625-MW block of its Mesquite Power plant to the Salt River Project Agricultural Improvement and Power District for $371 million in cash. Sempra Natural Gas retained ownership of the second block of the Mesquite Power plant.

On April 9, 2015, Sempra Natural Gas sold the remaining 625-MW block of the Mesquite Power plant, together with the related power sales contract, for net cash proceeds of $347 million. We discuss this sale further in Note 3 of the Notes to Condensed Consolidated Financial Statements herein.

Rockies Express

Sempra Natural Gas owns a 25-percent interest in Rockies Express Pipeline LLC (Rockies Express), a partnership that operates a natural gas pipeline, the Rockies Express pipeline (REX), which links the Rocky Mountains region to the upper Midwest and the eastern United States. All of REX's original capacity sales provide for west-to-east service. Sempra Natural Gas has an agreement for such capacity on REX through November 2019. The capacity costs are offset by revenues from releases of the capacity contracted to third parties. Certain capacity release commitments totaling $22 million concluded during 2013. Contracting activity related to that capacity has not been sufficient to offset all of our capacity payments to Rockies Express.

In November 2013, FERC issued a decision ruling that east-to-west service offerings within a single REX rate zone would not result in potential rate reductions under provisions in the original customers' west-to-east contracts ("most favored nation" provisions). In December 2013, certain west-to-east customers sought rehearing of that decision. In 2014, Rockies Express reached settlements with three west-to-east customers, with one customer continuing to seek rehearing. The triggering of these provisions would result in significantly reduced revenue to REX from these west-to-east contracts.

In April 2014, prior to the launching of an open season, Rockies Express had secured binding financial commitments with four shippers totaling 1.2 Bcf per day of capacity for east-to-west transportation services for a term of 20 years originating at or near Clarington, Ohio. In February 2015, Rockies Express received FERC approval for the project. Rockies Express began construction on the project, and the capacity went into service on August 1, 2015. In June 2014, Rockies Express finished constructing the Seneca Lateral, an initial 0.25 Bcf per day capacity project that connects natural gas production sources in Ohio to REX. The lateral's capability was further expanded to 0.6 Bcf per day of capacity in January 2015. The lateral is fully contracted through September 2021.

In March 2015, Rockies Express requested FERC approval of the Zone 3 Capacity Enhancement Project. The project is an expansion of REX's east-to-west capability of 0.8 Bcf per day. Rockies Express conducted both a non-binding and a binding open season for service on the Zone 3 Capacity Enhancement Project and secured binding financial commitments with six Appalachian shippers totaling 0.7 Bcf per day of capacity for east-to-west transportation services for a term of 15 years originating at or near Clarington, Ohio. We expect the project to be in-service in the fourth quarter of 2016. This expansion, with an estimated cost of approximately $530 million, will require additional capital investment by the

On January 29, 2015, REX experienced a rupture that resulted in no injuries or fire. This incident occurred near Bowling Green, Missouri. Rockies Express returned the segment of the pipeline to service on February 8, 2015. Rockies Express is fully cooperating with the Pipeline and Hazardous Materials Safety Administration.

Natural Gas Storage

Our natural gas storage assets include operational and development assets at Bay Gas in Alabama and Mississippi Hub in Mississippi, as well as our development proSent proSenoSt.9701 -1.1976.6(o)-4.8(p)-4.enppi, i81 -1.197s(asseian)n(ppi,)4sseten T3.5(n)inse0 Tw5.1o6t fro

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The current project, which will utilize Cameron LNG JV's existing facilities, is comprised of three liquefaction trains designed to a nameplate capacity of 13.9 million tonnes per annum (Mtpa) of LNG with an expected export capability of 12 Mtpa of LNG, or approximately 1.7 Bcf per day. We expect the project to achieve commercial operation of all three trains in 2018, and have the first year of full operations in 2019. The anticipated incremental investment in the three-train liquefaction project is estimated to be approximately $7 billion, including the cost of the lump-sum, turnkey construction contract, development engineering costs and permitting costs, but excluding capitalized interest and other financing costs. The majority of the incremental investment will be project-financed and the balance provided by the project partners. The total cost of the facility, including the cost of our original facility plus interest during construction, financing costs and required reserves, is estimated to be approximately $10 billion.

The joint venture has authorization to export LNG to both Free Trade Agreement (FTA) countries and to countries that do not have an FTA with the United States. Cameron LNG JV has 20-year liquefaction and regasification tolling capacity agreements in place with GDF SUEZ S.A. and affiliates of Mitsubishi Corporation and Mitsui & Co, Ltd., that subscribe the full nameplate capacity of the facility.

Sempra Natural Gas has agreements totaling 1.45 Bcf per day of firm natural gas transportation service to the Cameron LNG JV facilities on the Cameron Interstate Pipeline with GDF SUEZ S.A. and affiliates of Mitsubishi Corporation and Mitsui & Co., Ltd. The terms of these agreements are concurrent with the liquefaction and regasification tolling capacity agreements.

Construction on the current project began in the second half of 2014 under an EPC contract with a joint venture between CB&I Shaw Constructors, Inc., a wholly owned subsidiary of Chicago Bridge & Iron Company N.V., and Chiyoda International Corporation, a wholly owned subsidiary of Chiyoda Corporation.

In August 2014, Sempra Energy and the project partners executed project financing documents for senior secured debt in an initial aggregate principal amount up to $7.4 billion for the purpose of financing the cost of development and construction of the Cameron LNG JV liquefaction project. Concurrently, Sempra Energy entered into completion guarantees under which it has severally guaranteed 50.2 percent of the debt, or a maximum principal amount of $3.7 billion. The project financing and completion guarantees became effective on October 1, 2014, and will terminate upon financial completion of the project, which will occur upon satisfaction of certain conditions, including all three trains achieving commercial operation and meeting certain operational performance tests. We expect the project to achieve financial completion and the completion guarantees to be terminated in the second half of 2019.

Large-scale construction projects like the design, development and construction of the Cameron LNG JV liquefaction facility involve numerous risks and uncertainties, including among others, the potential for unforeseen engineering problems, substantial construction delays and increased costs. As noted above, Cameron LNG JV has a turnkey EPC contract with a joint venture between CB&I Shaw Constructors, Inc. and Chiyoda International Corporation. If the contractor becomes unwilling or unable to perform according to the terms and timetable of the EPC contract, Cameron LNG JV would be required to engage a substitute contractor, which would result in project delays and increased costs, which could be significant. For a discussion of these risks and other risks relating to the development of the Cameron LNG JV liquefaction project that could adversely affect our future performance, see "Risk Factors" in our Annual Report.

Cameron LNG JV has a terminal services agreement with one customer that requires the customer to pay capacity reservation and usage fees to use its facilities to receive, store and regasify the customer's LNG. There is a termination agreement in place that will result in the termination of this services agreement at the point during construction of the new liquefaction facilities where piping tie-ins to the existing regasification terminal become necessary. Based on the full notice to proceed that was issued to Cameron LNG JV's EPC contractor in October 2014, we expect this termination date to occur during the first half of 2017.

In December 2014, Cameron LNG JV filed with the DOE for authorization to match the total export volumes allowed to be exported to FTA countries under the FERC permit. This would allow for increased export from the three-train facility of up to 2.95 Mtpa. In April 2015, Cameron LNG JV filed the corresponding DOE Non-FTA permit application. Cameron LNG JV is also pursuing the permitting to expand the current configuration from the current three liquefaction trains. The expansion project is expected to include up to two additional liquefaction trains, capable of increasing LNG production capacity by approximately 9 Mtpa to 10 Mtpa, and one additional full containment LNG storage tank; a fourth tank was permitted with the base liquefaction project but not built. In February 2015, Cameron LNG JV filed the DOE FTA application and the pre-filing application at FERC for the two additional trains and one containment tank. In May 2015, the joint venture filed a corresponding DOE Non-FTA permit application. In July 2015, Cameron LNG JV received approval of the DOE FTA application. Under the Cameron LNG JV financing agreements, expansion of the Cameron LNG JV facilities beyond the first three trains is subject to certain restrictions and conditions, including among others, timing restrictions on expansion of the project unless appropriate prior consent is obtained from lenders. In addition, expansion of the Cameron LNG JV facilities beyond the first three trains is subject to a number of risks and uncertainties, including completing the required commercial agreements, securing all necessary permits and approvals, obtaining financing, reaching a final investment decision and other factors associated with the potential investment. See the "Risk Factors" section of our Annual Report.

We discuss the deconsolidation of Cameron LNG, LLC, the Cameron LNG JV project financing obligations and Sempra Energy's completion guarantee further in Notes 3 and 4 of the Notes to Consolidated Financial Statements in the Annual Report.

Other LNG Liquefaction Development

Design, regulatory and commercial activities are ongoing for potential LNG liquefaction developments at Sempra Mexico's Energía Costa Azul facility and at our Port Arthur, Texas site. For these development projects, we have been meeting with potential customers and continue to see long-term demand for LNG supplies beginning in the 2020 to 2023 time frame. Total expenditures on LNG liquefaction development in the six months ended June 30, 2015 were $15.6 million, including capitalized costs of $7.5 million (pretax). After-tax LNG development costs expensed in the three months and six months ended June 30, 2015 were $1.5 million and million, respectively.

Port Arthur. In March 2015, Sempra Natural Gas submitted a request to the FERC to initiate the pre-filing review for the proposed Port Arthur LNG natural gas liquefaction and export facility in Port Arthur, Texas. The proposed project is designed to include two natural gas liquefaction trains with total export capability of approximately 10 Mtpa, or 1.4 Bcf per day; two 160,000-cubic-meter storage tanks; marine facilities for vessel berthing and loading; natural gas liquids and refrigerant storage; feed gas pretreatment; truck loading and unloading areas; and combustion turbine generators for self-generation of electrical power.

In March 2015, Sempra Natural Gas also submitted a request to the FERC to initiate the pre-filing review for the proposed Port Arthur pipeline project. The proposed project consists of two 42-inch-diameter feed gas pipelines (7- and 27-miles long), two compressor stations, receipt meter stations, and other appurtenant facilities in Orange and Jefferson Counties, Texas, and Cameron Parish, Louisiana. The pipelines would provide up to 1.6 Bcf per day of capacity to the Port Arthur LNG facilities.

In March and June 2015, Sempra Natural Gas filed permit applications with the DOE for authorization to export the LNG produced from the proposed project to all current and future FTA and Non-FTA countries, respectively.

In June 2015, Sempra Natural Gas entered into a non-binding MOU with an affiliate of Woodside Petroleum Ltd. (Woodside) to commence discussions and assessments for the potential development of the proposed Port Arthur LNG liquefaction project. The non-binding MOU is the initial step for Sempra Natural Gas and Woodside to explore this opportunity and undertake due diligence for potential development of the Port Arthur LNG liquefaction project. Any decision to proceed with a binding agreement between Woodside and Sempra Natural Gas in relation to the potential development of the project, including the establishment of any joint venture or partnership between Sempra Natural Gas and Woodside, is contingent upon completing project assessments and achieving other necessary internal and external approvals for each party.

Development of the Port Arthur LNG liquefaction project is subject to a number of risks and uncertainties, incluketrohg-.0009tuWoh e p

export initiatives. For a discussion of these risks and other risks involving changing natural gas and crude oil prices, see “R

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not party to, and our property is not the subject of, any material pending legal proceedings (other than ordinary routine litigation incidental to our businesses) except for the matters 1) described in Notes 9, 10 and 11 of the Notes to Condensed Consolidated Financial Statements herein and Notes 13, 14 and 15 of the Notes to Consolidated Financial Statements in the Annual Report, or 2) referred to in “Management's Discussion and Analysis of Financial Condition and Results of Operations” herein and in the Annual Report.

ITEM 1A. RISK FACTORS

SIGNATURES

Sempra Energy:

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEMPRA ENERGY,
(Registrant)

Date: August 4, 2015

By: /s/ Trevor I. Mihalik
Trevor I. Mihalik
Senior Vice President, Controller and
Chief Accounting Officer

San Diego Gas & Electric Company:

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAN DIEGO GAS & ELECTRIC COMPANY,
(Registrant)

Date: August 4, 2015

By: /s/ Bruce A. Folkmann
Bruce A. Folkmann
Vice President, Controller, Chief Financial Officer
and Chief Accounting Officer

Southern California Gas Company:

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHERN CALIFORNIA GAS COMPANY,
(Registrant)

Date: August 4, 2015

By: /s/ Bruce A. Folkmann
Bruce A. Folkmann
Vice President, Controller, Chief Financial Officer
and Chief Accounting Officer