STANDARD & POOR'S

Sempra Energy

S&P Recommendation	Price	12-Mo. Target Price	Investment Style
HOLD ★★★★★	$50.97 (as of Nov 12, 2010)	$55.00	Large-Cap Blend

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

GICS Sector Utilities
Sub-Industry Multi-Utilities

Summary This gas and electric utility is also engaged in unregulated power, liquefied natural gas, and international energy projects.

Sempra Energy

STANDARD &POOR'S

Business Summary October 01, 2010

CORPORATE OVERVIEW. Sempra Energy is a holding company that operates five segments in two major divisions: California Utilities (CU) and Sempra Global. The CU division includes regulated public utilities Southern California Gas (SCG -- 36% of 2009 revenue) and San Diego Gas & Electric (SDGE -- 41%), which provide electricity and natural gas services in the Southern California. Sempra Global includes Sempra Generation (13%), which develops and operates power plants and energy infrastructure; RBS Sempra Commodities (1%), a joint venture that provides marketing and risk management services for energy products and base metals; Sempra Pipelines & Storage (6%), which operates in Mexico, the U.S. and South America; and other (3%), which primarily operates LNG receipt terminals in North America, but also includes parent organizations.

CORPORATE STRATEGY. Sempra seeks to increase EPS through faster growth in its unregulated businesses through both acquisitions and organic growth. In the utility segment, the company focuses on managing regulatory risk as well as operating and capital expenditures. Recently, SRE has focused on new construction in most of its segments. The company has recently focused on developing renewable generation initiatives. In 2008, we believe the company reduced its risk profile and enhanced its growth prospects by placing its commodities trading business into a joint venture with a partner that has a stronger credit profile, but has recently agreed to sell the entire business.

In July 2007, SRE announced a deal with the Royal Bank of Scotland (RBS 15, Hold) that placed its commodity trading business in a joint venture. At closing, on April 1, 2008, SRE received about $1 billion in cash that had been used as collateral. RBS has been forced to sell its stake in the venture by the European Commission. On February 16, 2010, the venture agreed to sell the European and Asian businesses for $1.7 billion. SRE's share of the proceeds is expected to be $1.2 billion, which it plans to use to repurchase shares and reduce debt. The venture now intends to sell the entire business rather than to seek a new partner to replace RBS. RBS Sempra sold its retail business on September 20, 2010, for $317 million and announced it might take a charge for $50 million to $150 million, indicating to us that it might not get as much as it originally expected for the remainder of the business.

The company plans to use funds to invest in what it considers to be more strategic investments in LNG and pipelines and storage. SRE's LNG investments, with one project beginning commercial operations in May 2008 and one project that completed the construction phase in mid-2009 and entered commercial operations in late 2009, should make it one of the largest LNG regassifiers in North America. In August 2005, SRE entered into a joint venture with Kinder Morgan Energy Partners, L.P. to pursue the development of a new 1,700-mile natural gas pipeline, Rockies Express (REX), which would link producing areas in the Rocky Mountain region to points east. The REX-West (713 miles from Wyoming to Missouri) was placed into full service in March 2008 and REX-East (638 additional miles to Ohio) entered full service at the end of 2009. Sempra plans to extend the pipeline further east to New Jersey. In October 2008, SRE purchased, for $510 million, EnergySouth, which is building several storage projects in the Southeast.

MARKET PROFILE. SDGE's service area includes 4,100 square miles from Orange County to the Mexican border. SDGE serves 1.4 million electric customers and 830,000 natural gas customers. SDG&E has contracts for 4,423 MW and owns 1,086 MW of generation. SCG's service area includes 20,000 square miles of Central and Southern California, covering 5.6 million natural gas customers. In the electricity operations, residential, commercial and industrial customers contributed 37.5%, 35.1% and 11.3% of 2009 revenues. Commercial/industrial (41.4%) users were the largest natural gas users, followed by residential (28.3%) and power generators (28.3%). Mobile Gas, a subsidiary of EnergySouth, serves 93,000 gas customers in southwest Alabama.

The generation segment owns and operates plants in the Arizona, California, Nevada, Indiana, Hawaii and Mexico, with a total generation capacity of 2,740 MW at year-end 2009. A significant portion of the segment's earnings comes from a long-term power supply contract (expiring in 2011) with California.

Sempra LNG owns a Baja California, Mexico, 1.0 Bcfd LNG facility, Costa Azul, that started operations in May 2008, and is constructing another 1.5 Bcfd project in Louisiana. The Louisiana project, Cameron, commenced operations in late 2009. SRE is exploring a capacity expansion of Costa Azul to 2.5 Bcfd and Cameron to 2.65 Bcfd. A third project in Texas (currently on hold) would deliver between 1.5 Bcfd and 3.0 Bcfd of natural gas. Sempra Pipelines & Storage develops and owns natural gas pipelines and storage facilities in the United States and Mexico, and holds interests in companies that provide natural gas or electricity services to over 2.8 million customers in Argentina, Chile, Mexico and Peru.

LEGAL/REGULATORY ISSUES. In July 2008, the California Public Utilities Commission (CPUC) approved 2008 rate increases of $59 million for SoCalGas and $138 million for SDG&E, and annual increases of approximately $52 million (3%) for SoCalGas and $43 million (3%) for SDG&E through 2011. The next rate case is expected to be filed in December 2010 for 2012.

FINANCIAL TRENDS. At the end of 2009, cash and cash equivalents had decreased to $110 million, from $331 million a year earlier. Capital expenditures in 2009 were $1.9 billion, with CU operations accounting for 75% of the spending. SRE projected capital expenditures of $3.0 billion for 2010, with 70% of the spending in the CU operations. SRE is targeting a dividend payout ratio between 35% and 40%.

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Chrmn & CEO
D.E. Felsinger

Pres & COO
N.E. Schmale

EVP & CFO
M.A. Snell

EVP & General Counsel
J. Chaudhri

SVP, Chief Acctg Officer & Cntlr
J.A. Householder

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D. E. Felsinger
W. D. Godbold, Jr.
W. D. Jones
L. T. Kuenzler
W. G. Ouchi
C. Ruiz
W. C. Rusnack
W. Rutledge
L. Schenk
N. E. Schmale

Domicile
California

Founded
1998

Employees
13,800

Stockholders
42,000

Sempra Energy

Quantitative Evaluations

Expanded Ratio Analysis

[redacted]

Sempra Energy

Sub-Industry Outlook

Our fundamental outlook for the multi-utilities sub-industry for the next 12 months is neutral. We believe that regulated operations will continue to see single digit earnings growth. The economic slowdown has pressured industrial and wholesale sales, and we don't see much benefit from weather in 2010. Historically higher and more volatile commodity prices have raised the cost of fuel and purchased power for electric utilities and supply costs for gas utilities. While utilities are allowed to pass these increases on to customers over time, we believe there are some potential negative effects. Faced with higher bills, customers generally will try to conserve more energy, partly offsetting the benefits of customer growth. Also, as a result of higher customer bills and a challenging economy, we think regulators are going to more carefully scrutinize large utility rate increase requests, although we expect rate increases to provide a boost to some companies' earnings.

Utilities with unregulated operations produced mixed results in 2009. Both oil and gas prices spiked upward in early 2008, reaching a July peak before retreating. Oil prices reached a record close of $145/bbl on July 7, 2008, but have now fallen to the $70s level. Gas prices fell sharply through the third quarter of 2009, but have rebounded somewhat since. After strong 2008 results from E&P operations, 2009 results were hit by the lower prices. A decline in the value of the dollar could lead to higher oil prices again. We see lower gas prices due to the large amounts of gas in storage. However, pipeline constraints could still lead to locally high prices. Multi-utilities that participate in competitive wholesale and retail power markets could see weakening power prices, in our view, due to reduced industrial demand. Some companies have lowered business risk by reducing exposure to trading and E&P operations and used the proceeds to make large-scale share repurchases, boost dividends and reduce debt.

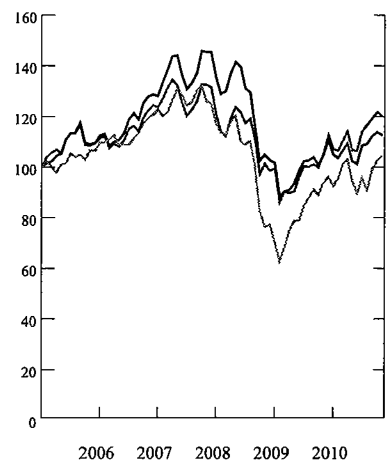
Year to date through October 15, the S&P Multi-Utilities Index rose 7.9%, versus a 6.3% rise in the S&P 1500 Composite Index. In 2009, the sub-industry index rose 14.3%, versus a 24.3% jump in the 1500. We think the dividends paid by these companies should have appeal for investors in light of increased concerns about the rate of real GDP growth.

--Christopher B. Muir

Stock Performance

GICS Sector: Utilities
Sub-Industry: Multi-Utilities

Based on S&P 1500 Indexes
Month-end Price Performance as of 10/29/10



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Multi-Utilities Peer Group*: Integrated Gas & Electric distribution

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Sempra Energy	**SRE**	**12,633**	**50.97**	**57.18/43.91**	**0.59**	**3.1**	**14**	**46.40**	**A-**	**90**	**13.8**	**43.7**
Avista Corp	AVA	1,228	21.70	22.44/18.46	0.75	4.6	14	21.70	B+	78	5.8	50.0
CMS Energy	CMS	4,363	17.84	19.07/13.85	0.57	4.7	15	17.50	B	96	3.4	62.7
Canadian Utilities'A'	CU.C	6,215	49.38	50.08/40.05	NA	3.1	14	NA	A	NA	19.6	48.2
Canadian Utilities'B'	CU.XC	1,970	49.25	50.00/40.11	NA	3.1	13	NA	A	NA	19.6	NA
Dominion Resources	D	24,881	42.86	45.12/35.81	0.57	4.3	10	38.70	B+	90	8.5	56.0
Integrys Energy Group	TEG	3,949	51.13	54.45/37.82	0.91	5.3	23	46.70	B	76	NM	44.6
NiSource Inc	NI	4,784	17.19	17.96/13.64	0.84	5.4	14	17.20	B	98	3.5	51.9
Public Svc Enterprises	PEG	16,018	31.66	34.93/29.01	0.53	4.3	10	28.70	B+	89	12.8	NA
SCANA Corp	SCG	5,209	40.94	41.97/34.22	0.60	4.6	14	40.60	B	96	8.2	56.6
Vectren Corp	VVC	2,177	26.76	27.85/21.66	0.44	5.2	15	25.00	B+	97	6.4	50.7

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Sempra Energy

S&P Analyst Research Notes and other Company News

November 9, 2010
12:20 pm ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF SEMPRA ENERGY (SRE 51.54***): Q3 recurring EPS of $1.08, vs. $1.28, missed our estimate by $0.04. Revenues were higher than we expected and per-revenue depreciation costs were lower, but these items were more than offset by interest costs and per-revenue cost of sales and operating & maintenance expenses. We continue to like SRE's growth plans, which include capital spending on utility and unregulated projects. We are cutting our '10 EPS estimate by $0.05 to $3.75, and '11's by $0.07 to $4.42. We are keeping our target price of $55, reflecting higher peer valuations. The shares are yielding 3.0%. /C.Muir

October 7, 2010
12:29 pm ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF SEMPRA ENERGY (SRE 53.96***): SRE announces that the RBS Sempra Commodities joint venture, its commodities trading unit, has agreed to sell most of the remaining assets in the business for $220M. In addition to its share of that, SRE expects to receive distributions of $500MM to $600MM in cash, accounts receivable and net margin from the venture. SRE still expects to take a one-time charge of $50M to $150M. SRE also recently announced $500M in share repurchases that it expects to complete by early 2011. We are keeping our '10 and '11 EPS estimates of $3.80 and $4.49 and our target price of $55. /C.Muir

September 29, 2010
On September 28, 2010, Sempra Energy's Board of Directors elected Luis Tellez to the board. Mr. Tellez was also named to serve on the board's Compensation Committee and its Corporate Governance Committee. Mr. Tellez, age 51, is the Chairman of the Board of Directors and Chief Executive Officer of the Mexican Stock Exchange (Bolsa Mexicana de Valores). He served as Mexico's Secretary of Communications and Transportation from 2006 to 2009. From 2004 to 2006, he was a managing director of the investment firm, The Carlyle Group.

September 20, 2010
09:28 am ET ... S&P DOWNGRADES OPINION ON SHARES OF SEMPRA ENERGY TO HOLD FROM BUY (SRE 53.08***): SRE announced that its 49% owned commodities trading joint venture has agreed to sell Sempra Energy Solutions' retail business for $317 million in cash and the assumption of $265 million in debt. Sempra also said that the joint venture is in advanced talks to sell the remainder of the business, but that it expects to take a noncash charge of $50 million to $150 million to write down goodwill in the business that is not expected to be recovered. As a result, we think that the final sales price could be lower than anticipated. We are reducing our target price by $1 to $55. /CMuir

August 4, 2010
08:11 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF SEMPRA ENERGY (SRE 51.36****): Q2 recurring EPS of $0.89 vs. $1.06 beats our $0.84 estimate. Revenues were higher and per-revenue non-fuel operating expenses were lower than we expected, but these items were partly offset by cost of gas that was higher. We like SRE's growth prospects, driven by rate increases and new infrastructure projects. We also think SRE could benefit from the potential sale of the remainder of its commodities trading business in the near future. We are keeping our '10 and '11 EPS estimates at $3.80 and $4.49, and our target price at $56. The stock is yielding 3.0%. /C. Muir

June 21, 2010
SRE says that, on June 18, they learned of a Mexican federal district court issuing an order on June 17 directing Mexican regulatory authorities to provisionally suspend authorizations for the operation of Sempra LNG's liquefied natural gas (LNG) terminal near Ensenada, Mexico, pending further legal proceedings. Says these legal proceedings will address an action by Ramon Eugenio Sanchez Ritchie based on his claim of possession of a land parcel adjacent to the terminal property.

May 4, 2010
11:51 am ET ... S&P DOWNGRADES OPINION ON SHARES OF SEMPRA ENERGY TO BUY FROM STRONG BUY (SRE 49.33****): Q1 recurring EPS of $0.87, vs. $1.29, misses our $1.21 estimate due to commodities trading results that were substantially lower than our forecast. With no announcement yet on the sale of the North American portion of the commodities, we think SRE may not have received any bids with a substantial premium to book value. We are lowering our '10 EPS estimate by $1.28 to $3.80 reflecting poor performance at the JV, and '11's by $0.87 to $4.49. As a result, we are cutting our target price by $5 to $56. The shares are yielding 3.2%. We remain positive about SRE's other businesses. /CMuir

March 30, 2010
San Diego Gas & Electric Co. announced that Jessie J. Knight, Jr., who currently is an Executive Vice President of Sempra Energy, will relinquish that position to succeed Debra L. Reed as Chief Executive Officer of the company, effective April 3, 2010. Ms. Reed will become an Executive Vice President.

February 25, 2010
03:04 pm ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF SEMPRA ENERGY (SRE 50.0*****): Q4 EPS of $1.16 vs. $1.30 beats our estimate by $0.08. Revenues were higher and per-revenue cost of energy and general & administrative expenses were lower than we expected. We believe that SRE will benefit if it is able to sell the remainder of its trading joint venture and may use the proceeds to repurchase stock and reduce debt and reduce risk. We are cutting our '10 EPS estimate by $0.10 to $5.08 and initiating '11's at $5.36 (both excluding potential dilution from announced and possible deals). We are lowering our target price by $2 to $61. /CMuir

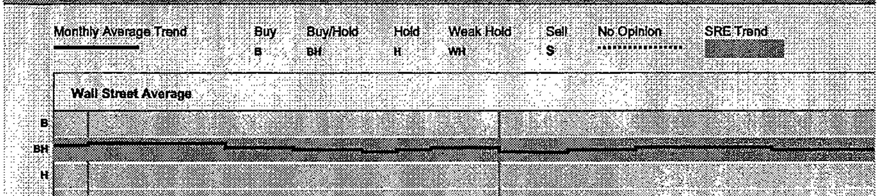
February 16, 2010
11:24 am ET ... UPDATE - S&P MAINTAINS STRONG BUY OPINION ON SHARES OF SEMPRA ENERGY (SRE 49.38*****): SRE's conference call provided us with more comfort surrounding the eventual outcome of its North American business. SRE said it wants to restructure the profit sharing mechanism in the joint venture agreement to make it easier for Royal Bank of Scotland (RBS 10, Hold) to sell its share. SRE's goals are to find a replacement partner for the remaining business and return excess regulatory capital to the venture partners. We think the agreed to sale of the European and Asian businesses removes some of the urgency to reach a conclusion with regard to the North American business. /CMuir

February 16, 2010
08:47 am ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF SEMPRA ENERGY (SRE 49.48*****): SRE announces that it has agreed, subject to approvals, to the sale of the European and Asian operations of its 49% owned commodity trading joint venture for about $1.7 billion. SRE expects its share of the proceeds will be about $940 million. We view this deal positively. Unconfirmed reports in The Wall Street Journal say that SRE is the most likely buyer for the remaining North American business of the joint venture. Should this be the case, we think SRE would face a higher cost of capital and face significant collateral postings. We are keeping our target price at $63. /CMuir

Sempra Energy

STANDARD
&POOR'S

Analysts' Recommendations



Wall Steet Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Argus Research Company
BMO Capital Markets-us
Barclays Capital

[redacted]

Sempra Energy

STANDARD &POOR'S

Glossary

S&P Quality Ranking

Growth and stability of earnings and dividends are

Technical Evaluation

In researching the past market history of prices and

Required Disclosures

S&P Global STARS Distribution

In North America: As of September 30, 2010, research analysts at Standard & Poor's Equity Research Services U.S. have recommended 39.2% of issuers with buy recommendations, 52.5% with hold recommendations and 8.3% with sell recommendations.

In Europe: As of September 30, 2010, research analysts at Standard & Poor's Equity Research Services Europe have recommended 36.6% of issuers with buy recommendations, 43.2% with hold recommendations and 20.2% with sell recommendations.

In Asia: As of September 30, 2010, research analysts at Standard & Poor's Equity Research Services Asia have recommended 46.8% of issuers with buy recommendations, 44.4% with hold recommendations and 8.8% with sell recommendations.

Globally: As of September 30, 2010, research analysts at Standard & Poor's Equity Research Services globally have recommended 39.5% of issuers with buy recommendations, 50.2% with hold recommendations and 10.3% with sell recommendations.

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

For All Regions: All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

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For residents of Malaysia - All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng, or Ching Wah Tam.

This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041.

[redacted]

Analyst's Notes...Continued

shareholders of about 10%-11% over the next four to five years.

RECENT DEVELOPMENTS

Sempra Energy posted 2Q10 earnings of $222 million or $0.89 per share, up from earnings of $198 million or $0.80 per share in 2Q09.

Earnings in 2Q10 included a charge of $64 million or $0.26 per share, for an asset write-off at Sempra Pipelines & Storage.

Sempra Energy's earnings for 1H10 were $328 million or $1.31 per share, compared with $514 million or $2.09 per share in 1H09. First-quarter 2010 earnings included a charge of $96 million after tax, or $0.38 per share, for a proposed energy-crisis litigation settlement.

In July, Sempra completed its transaction with J.P. Morgan to sell a major portion of its commodities joint venture -- the first step in the company's exit from that business. Proceeds from the sale and other distributions will be approximately $1 billion. Additionally, in July, San Diego Gas & Electric reached a significant milestone with receipt of the final major regulatory approval for its Sunrise Powerlink transmission line. This project is expected to increase electric grid reliability and create a new pathway for renewable energy. Finally, the company announced that it will begin a $500 million accelerated share-repurchase program late in 3Q10.

Subsidiary operating results for 2Q10 follow.

San Diego Gas & Electric (SDG&E): In 2Q10, and on a higher rate of kilowatt-hour sales growth, earnings for SDG&E were $75 million, up from $70 million in 2Q09.

For 1H10, SDG&E earned $158 million, compared with $169 million in 1H09.

On July 13, SDG&E received approval from the U.S. Forest Service and now is moving forward with construction of the $1.9 billion Sunrise Powerlink transmission line project. The U.S. Forest Service permit was the last major regulatory approval required for the project. SDG&E previously received approvals from the California Public Utilities Commission and the federal Bureau of Land Management.

Southern California Gas Co. (SoCalGas): SoCalGas had 2Q10 earnings of $69 million, compared with $65 million in 2Q09.

SoCalGas' earnings in 1H10 increased to $134 million from $124 million in 1H09.

Sempra Generation: Sempra Generation's 2Q10 earnings rose to $48 million from $33 million in 2Q09, due primarily to additional renewable energy tax credits from new projects. The gains from the tax credits in the most recent quarter were offset partially by lower earnings due to scheduled maintenance at two power plants and earthquake damage at the company's Mexican plant.

In 1H10, Sempra Generation recorded a loss of $5 million, compared with earnings of $76 million during 1H09. In 1Q10, Sempra Generation took a charge of $84 million related to a proposed energy-crisis litigation settlement.

Sempra Generation has activated the first 18 megawatts (MW)

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2005	2006	2007	2008	2009
Revenue	11,512	11,761	11,438	10,758	8,106
COGS	624	3,477	3,462	5,997	3,258
Gross Profit	10,888	8,284	7,976	4,761	4,848
SG&A	551	56	73	—	—
R&D	—	—	—	—	—
Operating Income	977	1,784	1,673	1,340	1,174
Interest Expense	248	252	210	208	346
Pretax Income	—	—	—	1,443	1,476
Income Taxes	34	641	524	438	422
Tax Rate (%)	—	—	—	30	29
Net Income	920	1,406	1,099	1,123	1,129
Diluted Shares Outstanding	252	261	264	251	247
EPS	3.65	5.38	4.16	4.43	4.52
Dividend	1.16	1.20	1.24	1.37	1.56
GROWTH RATES (%)					
Revenue	24.7	2.2	-2.7	-5.9	-24.7
Operating Income	-22.3	82.6	-6.2	-19.9	-12.4
Net Income	2.8	52.8	-21.8	2.2	0.5
EPS	-7.7	15.2	2.2	4.0	2.0
Dividend	16.0	3.4	3.3	10.5	13.9
Sustainable Growth Rate	—	—	—	—	—
VALUATION ANALYSIS					
Price: High	$47.86	$57.35	$66.38	$63.00	$57.18
Price: Low	$35.53	$42.90	$50.95	$34.29	$36.43
Price/Sales: High-Low	1.0 - 0.8	1.3 - 1.0	1.5 - 1.2	1.5 - 0.8	1.7 - 1.1
P/E: High-Low	13.1 - 9.7	10.7 - 8.0	16.0 - 12.2	14.2 - 7.7	12.7 - 8.1
Price/Cash Flow: High-Low	— - —	— - —	— - —	— - —	— - —

Financial & Risk Analysis

FINANCIAL STRENGTH	2007	2008	2009
Cash ($ in Millions)	669	331	110
Working Capital ($ in Millions)	944	-1,136	-1,593
Current Ratio	1.10	0.69	0.59
LT Debt/Equity Ratio (%)	54.6	82.1	82.8
Total Debt/Equity Ratio (%)	67.4	93.6	96.0
RATIOS (%)			
Gross Profit Margin	69.7	44.3	59.8
Operating Margin	14.6	12.5	14.5
Net Margin	9.6	10.3	13.8
Return On Assets	3.8	4.0	4.1
Return On Equity	13.9	13.6	13.2
RISK ANALYSIS			
Cash Cycle (days)	-136.7	-45.0	-10.3
Cash Flow/Cap Ex	1.0	0.5	0.9
Oper. Income/Int. Exp. (ratio)	—	6.7	5.0
Payout Ratio	—	—	—

Please see important information about this report on page 7

Analyst's Notes...Continued

at its 48-MW Copper Mountain Solar facility under construction near Las Vegas. The facility is expected to be completed by year-end. Copper Mountain Solar and Sempra Generation's adjacent El Dorado Solar facility together will employ about 1 million thin-film photovoltaic panels to produce a total of 58 MW of solar energy. The power is being sold to Pacific Gas & Electric under 20-year agreements.

Sempra Pipelines & Storage: In 2Q10, Sempra Pipelines & Storage earned $39 million, compared with a loss of $27 million in 2Q09. In 2Q10, Sempra Pipelines & Storage recorded a charge of $64 million for the write-off of certain assets at Liberty Gas Storage.

For 1H10, Sempra Pipelines & Storage's earnings increased to $77 million from $10 million in 1H09.

Sempra LNG: Sempra LNG's earnings in 2Q10 were $13 million, compared with a loss of $12 million in 2Q09, due to higher earnings from operations. In 3Q09, Sempra LNG's Louisiana receipt terminal began operations and a major supply contract commenced for the company's Mexican receipt terminal.

In 1H10, Sempra LNG earned $45 million, compared with a loss of $19 million in 1H09.

Sempra Commodities: Sempra Energy's commodity operations broke even in 2Q10, compared with earnings of $85 million in 2Q09, due primarily to lower results in crude oil, oil products and natural gas, as well as higher costs for employee retention.

For 1H10, Sempra Energy recorded a loss of $5 million in its commodity operations, compared with earnings of $199 million in 1H09.

On July 1, Sempra Energy and the Royal Bank of Scotland completed the sale to J.P. Morgan of the RBS Sempra Commodities joint venture's metals, oil, and European power and gas businesses for $1.6 billion. Sempra Energy's share of the proceeds from the sale was approximately $1 billion, including distributions of 2009 earnings.

In February, Sempra Energy announced its intention to exit the joint venture. An active sales process is under way for the remaining North American operations of RBS Sempra Commodities. As stated previously, Sempra Commodities' performance is not expected to improve significantly prior to completion of the sales process, because of low commodity prices and the disruptions caused by the sale.

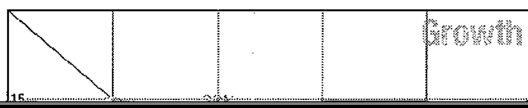
EARNINGS & GROWTH ANALYSIS

We are raising our 2010 EPS estimate for Sempra Energy to $3.65 from $3.10 based on an expected return to a higher rate of kilowatt-hour sales growth.

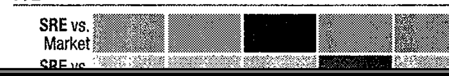
We think Sempra will benefit in 2011 from kilowatt-hour sales growth of at least 1.5% per annum, as well as from greater contributions from the company's Mexican pipeline operations and the recently acquired Mobile Gas, a regulated gas distribution utility in Alabama. Our 2011 estimate for Sempra is $4.60 per share.

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare SRE versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.



P/E



Analyst's Notes...Continued

In all, forward earnings visibility at the company's three regulated utilities (San Diego Gas & Electric, Southern California Gas, and Mobile Gas) has been enhanced by the recent inclusion of positive rate cases. In addition, Sempra continues to make progress in its LNG (liquefied natural gas) import business.

We expect the company's earnings to grow at an average annual rate of 6% over the next five years, driven by several factors: growing financial strength; effective company-wide cost controls; a well-planned and aggressive move into LNG terminals; and prospects for moderate operating income growth in the company's regulated utility operations.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating for Sempra Energy is Medium-High, the second-highest level on our five-point scale. The company's debt ratings are investment grade. In view of the solid long-term power supply contracts in place at San Diego Gas & Electric and the likelihood of - at the very least - moderate customer growth for both the regulated electric and natural gas distribution operations in 2010, we think company finances will remain strong over the next several years.

The annual dividend rate is $1.56. The company now expects to maintain a targeted dividend payout ratio of 35%-40% of net income. Our dividend payout estimates are $1.62 for 2010 and [redacted]

weighting has ranged from 3% to 5%. In terms of performance, the sector slightly lagged the market in the first half, with a decline of 3.6% versus a 3% drop in the S&P 500. In 2Q, the sector outperformed, with a decline of 2% versus the market's 10% drop. The sector includes the electric, gas and water utility industries.

Most fundamentals for the Utility sector look reasonable. By our calculations (using 2011 EPS), the price/earnings multiple is 11, in line with the market average. The PEG ratio, though, is a high 2.4 (versus the market average of 2.0), as long-term earnings expectations are modest. For 2010, EPS are expected to rebound 11%, below the expected growth of 37% for S&P 500 profits. Growth of only 1% is forecast in 2011. The sector's debt-to-cap ratio is about 52%, above the market average of 47%. This represents a risk, given the current state of the credit markets. The sector does offer an attractive dividend yield of about 4.6%.

VALUATION

We believe that SRE shares offer the security of regular dividend payments as well as the potential for moderate-to-high capital appreciation. SRE shares are trading at 11.2-times our 2011 EPS estimate, a discount to the peer average multiple for combination electric and gas utilities with profitable nonregulated operations. Our BUY recommendation reflects the company's financial strength, limited risk profile (on the utility side only), visible [redacted]

Analyst's Notes...Continued

[redacted]

Analyst's Notes...Continued

maintain a targeted dividend payout ratio of 35%-40% of net income. Our dividend payout estimates are $1.62 for 2010 and $1.68 for 2011. Although the current yield of about 3.3% is below the industry average, we believe this is offset by the stock's limited downside risk. In light of the company's solid cash flow and clear forward earnings visibility, we expect continued annual dividend growth of 3.5%-4.5% over the next few years.

MANAGEMENT & RISKS

Management is committed to electric and gas service expansion strategies in the company's regulated service territories (Los Angeles and San Diego as well as Mobile, Alabama). As for its nonregulated operations, management believes significant growth opportunities exist in the nonregulated power and natural gas operations even after the Enron debacle and the California energy crisis. In all, our analysis shows that the company's platform for growth is solid, and we are confident in management's ability to provide shareholders with increased value over the long term.

Specific risks to the SRE share price involve liquidity and credit issues. Key risks for stocks in our electric and gas utility universe include commodity prices fluctuations, the effect of adverse weather on revenue, regulatory risk (especially construction cost recovery), and potential environmental and safety liabilities. In addition, the capital-intensive nature of the utility industry creates ongoing liquidity risk that must be actively managed by each company.

COMPANY DESCRIPTION

Sempra Energy, based in San Diego, is an energy services holding company. Its 14,000 employees serve more than 31 million consumers in the United States, Europe, Canada, Mexico, South America and Asia. The company's three regulated utilities are San Diego Gas & Electric, Southern California Gas and Mobile Gas. In addition, Sempra engages in large nonregulated merchant energy businesses.

INDUSTRY

Our rating on the Utility sector is Market-Weight. The sector accounts for 3.5% of the S&P 500. Over the past five years, the weighting has ranged from 3% to 5%. In 2009, the sector underperformed the market, gaining 7% while the S&P 500 was up 24%. It is also underperforming in 2010, with an early loss of 1% versus the S&P 500's gain of 8%. The sector includes the electric, gas and water utility industries.

Most fundamentals for the Utility sector look reasonable. By our calculations (using 2011 EPS), the price/earnings multiple is 12, versus the market average of 13. The PEG ratio, though, is a high 2.4 (versus the market average of 2.1), as long-term earnings expectations are modest. For 2010, EPS are expected to rebound 11%, below the expected growth of 37% for S&P 500 profits. The sector's debt-to-cap ratio is about 52%, above the market average of 47%. This represents a risk, given the current state of the credit markets. The sector does offer an attractive dividend yield of about 4.5%.

VALUATION

We believe that SRE shares offer the security of regular dividend payments as well as the potential for moderate to high capital appreciation. SRE shares are trading at 10.3-times our 2011 EPS estimate, a discount to the peer average multiple for combination electric and gas utilities with profitable nonregulated operations. Our BUY recommendation reflects the company's financial strength, limited risk profile (on the utility side only), visible forward earnings stream, and attractive integrated structure. Added benefits are Sempra's strong operating efficiencies and well-maintained and operated electric and natural gas distribution systems. In addition, the company is adding new electric customers at a still meaningful rate and should be able to further reduce operating and maintenance expenses going forward. Finally, the company's overall excellent experience with regulators should go a long way in preventing any precipitous falloff in profitability. Our 12-month target price of $61, together with the dividend yield of about 3.3%, suggests a potential 12-month return of around 32%.

On May 19, BUY-rated SRE closed at $47.34, up $0.04.

Please see important information about this report on page 7

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

Argus Research Disclaimer

Morningstar Disclaimer

[redacted]

Details

One other thing that management neglected to mention is that once approvals for Mesquite are obtained from the constrained CPUC, construction of Mesquite is likely to be accelerated.

Knowing Jeff Martin, former VP of IR and current CEO of Sempra Generations, we believe he and his team are doing all that they can to get materials in place, contractors lined up, and ground work prepared to be ready to hit the ground running when the final approval is handed down, which may cut into the delay that management is currently projecting.

We also believe there is small potential upside from improving demographics and economy in California in 2011E, as well as from small incremental uplifts.

Given the regulatory construct – revenue de-coupling, and fuel cost pass-through, among others – uplift from economy and weather changes isn't likely to create a huge uplift, but we note that there is some flexibility in the de-coupling mechanism (+/- 5%), potential for off-system sales from Generation, and additional incremental opportunities are likely to materialize, such as better storage economics in 2011 than in 2010 as natural gas price curves steepen, more gas is transported, and LNG benefits from improving natural gas prices.

SRE's infrastructure and utility projects continue as planned.

Sunrise Powerlink received U.S. Forest Service approval and is scheduled for an in-service date in 2H12. Construction of Copper Mountain Solar is on track, with 18 MW currently in service and full completion expected by year-end, expanding to 48MW. SRE's ongoing storage development also continues to progress. However, as previously mentioned, Mesquite solar is experiencing a delay.

We would prefer that SRE pursue a vigorous acquisition strategy, particularly with the money from the sale of Commodities.

All manner of assets remain cheap in this difficult economic environment and SRE has the temerity, insight, money and foresight to be able to execute on a wide variety of asset or company purchases, in our view. We think this would be the best way to deploy the proceeds from the sale of the Commodities business.

Due to the conservative nature of management's stance on 2011E, insight into potential offsets, and more certainty around project status, we are raising our 2011E to $4.16 from $4.01.

Our previous estimate did not include the effect of the second round of the PEMEX JV acquisition modeled into our numbers.

Commodities is dead; long live Commodities

Despite the sale of Commodities, we'd look for SRE to continue a certain amount of North American natural gas and power marketing and trading activity, albeit at a vastly reduced level. However, we'd expect these ventures to be buried into SCG, SDG&E, Pipelines or LNG. Equally likely, investors probably won't see much effect from these additional activities and we'd expect the new marketing and trading business to serve as more of a support function than a profit center with marketing outweighing trading, if trading continues to exist.

We don't expect much turbulence surrounding the rate filings for SCG and SDG&E.

Unless the CPUC is ready to repeat past mistakes – including the Chapter 11 filing of PCG – we don't think SRE will have much difficulty in obtaining reasonable rate structures for both of its utilities. We also agree with the California utility executives that the state is unlikely to see major changes in policy or working relationship between the state and the investor-owned utilities.

Lowering 2010E EPS to $3.72 from $3.83, but raising 2011E to $4.16 from $4.01, and 2012E to $4.53 from $4.34.

Valuation

Our calculated net asset value (CNAV) for Sempra Energy is $72 and our price target is $60. The discount exists due to capital spending requirements, construction in progress, and other capital projects that are in progress or in the planning stages, as well as stemming from temporarily higher macro-risk environment. In the longer term, we believe SRE exhibits strong organic growth potential, fueled by the growing need for risk management products, LNG and generation growth opportunities, utility sector consolidation and tightening reserve margins.

We determine our CNAV using a full discounted cash flow model assuming a multi-stage growth profile, using a dynamic WACC initially valued at 6.94%. Our terminal value multiple of 11.9x is calculated at roughly 23 years from the most recent quarter.

Price Target Impediment

- California risk (political, regulatory, environmental, legislative and activist)

- NIMBY issues
- Poor infrastructure in California
- Moderate or very extreme weather
- Poor acquisition decisions
- Poor economic performance in California
- Cost escalations
- Moderate country risk

Company Description

SRE is a diversified U.S. energy company, with a core focus in southern California. Its headquarters are in San Diego, California. The central business of SRE is running San Diego Gas and Electric (SDG&E) and Southern California Gas (SoCalGas). SDG&E is the electric and natural gas utility serving the greater San Diego area (~3.4MM customers) and SoCalGas is the natural gas utility serving southern California (over 20MM customers). SRE also operates Generation (over 2,600 MW), LNG, and Pipeline and Storage businesses, and the RBS Sempra Commodities joint venture.

Inputs and Results Page

Ticker Symbol	SRE
Assumptions	**Rate**
DCF Start Year	2010
DCF Start Month	10
Current Beta of Company	0.80
Static or Variable Beta (S/V)	V
Normalized Long-Term Risk-free Rate	5.00%
Market Return	12.00%
Current Equity Discount Rate	**10.60%**
Current Cost of Preferred Stock	0.00%
Current Cost of Debt Capital	5.67%
Current WACC	**6.94%**
Basic Shares Outstanding (MM)	220.0
Diluted Shares Outstanding (MM)	223.1
Assumed Tax Rate	39%
Assumed Inflation Rate	3.50%
Minimum Cash Balance Required	$500
Revolver Overflow Alert	
Current Stock Price of SRE ($/Sh.)	**$51.59**
Current Book Value per Share	**$39.45**
Current Price-to-Book Ratio	**1.3 x**
Current Market Cap ($MM)	**$11,349.9**
Current Market Ent. Value ($MM)	**$20,447.9**
Current Market Ent. Value Per Sh.	**$92.94**
Current Book Ent. Value ($MM)	**$17,900.0**
Current Book Ent. Value Per Sh.	**$81.36**

Names of Regions	Name
Region 1	SoCalGas
Region 2	SDG&E
Region 3	Commodities
Region 4	Generation
Region 5	Other
Region 6	LNG
Region 7	Pipelines & Storage
Region 8	Region8
Region 9	Region9
Region 10	Region10

		Per Share Estimates (Except EBITDA in $MM)				
Year	**Quarter**	**EPS**	**Oper. CF**	**EBITDA**	**FCF**	**EFCF**
2009	1	$1.27	$2.64	$686	$2.75	$1.85
2009	2	$0.98	$2.08	$614	($0.04)	$0.70
2009	3	$1.18	$2.02	$683	($2.17)	$0.04
2009	4	$1.16	$0.06	$713	($2.57)	($2.32)
Total		**$4.59**	**$6.79**	**$2,690**	**($2.08)**	**$0.25**
2010	1	$0.80	$1.41	$623	$1.87	$0.76
2010	2	$0.89	$2.64	$578	($0.61)	$0.24
2010	3	$1.04	$1.66	$514	$3.95	$3.79
2010	4	$1.00	$2.05	$706	$0.21	$1.25
Total		**$3.72**	**$7.76**	**$2,473**	**$5.47**	**$6.05**
Total	**2011**	**$4.16**	**$7.90**	**$3,011**	**($7.19)**	**$1.62**
Total	**2012**	**$4.53**	**$8.53**	**$3,369**	**($1.65)**	**$2.20**

	Estimated Ratios				
Year	**P/E**	**P/Oper. CF**	**EV/EBITDA**	**EV/FCF**	**P/EFCF**
2009	11.2 x	7.6 x	7.6 x	N/M	N/M
2010	13.9 x	6.6 x	8.3 x	17.0 x	8.5 x
2011	12.4 x	6.5 x	6.8 x	N/M	31.9 x
2012	11.4 x	6.0 x	6.1 x	N/M	23.5 x

	Capital Structure	
Capital Type	**Amount**	**%**
09/2010	($MM)	
Equity Capital	$8,802.0	49%
Preferred Stock	$179.0	1%
Total Debt	$8,919.0	50%
Total	**$17,900.0**	**100%**

Cost of Capital	
Type	**% of Total**
Equity	5.21%
Preferred	0.00%
Debt	1.72%
WACC	**6.94%**

Net Asset Value Cash Flow Valuation

Terminal Value	Multiple
Multiple of FCF	**12.1 x**
Term. Val. in Months	**279**
Category	**Valuation**
09/2010	
Calc. Ent. Value	**$23,470.6**
Preferred Stock	($179.0)
Total Debt	($8,372.0)
Equity Value	**$14,919.6**

Terminal Value	Multiple
Multiple of EFCF	**11.7 x**
Term. Val. in Montl	**279**
Category	**Valuation**
Equity FCF Value	**$15,881.8**
Cash Balance @ Start of Valuation	**$547.0**
Equity Value	**$16,428.8**

Shares	NAV	Average
Basic	**$67.82**	**$71.25**
Diluted	**$66.86**	**$70.24**
Ratios	**P/NAV**	**P/NAV**
Basic	0.8 x	0.7 x
Diluted	0.8 x	0.7 x

Shares	NAV
Basic	**$74.68**
Diluted	**$73.62**
Ratios	**P/NAV**
Basic	0.7 x
Diluted	0.7 x

Ratios	P/Book
Basic	1.3 x

Criteria	Multiple	2011E	Multiple Analysis
Net Debt per Share	N/A	$76.94	N/A
Basic Shares Out	N/A	236.7	N/A
P/E	14.4 x	$4.16	$60.00
P/CF	7.6 x	$7.90	$60.00
EV/EBITDA	10.0 x	$13.68	$60.00
Average			**$60.00**

Sources: Company reports; RBC Capital Markets estimates. Lasan Johong - (212) 428-6462; lasan.johong@rbccm.com; Ella Vuernick (212) 428-6492; Emily Christy (212) 428-6970.

			2009					2010						
SUMMARY FINANCIALS ($ Millions)	2007	2008	Q1A	Q2A	Q3A	Q4A	2009	Q1A	Q2A	Q3A	Q4E	2010	2011	2012
GENERATION (MWh)	29,277.7	32,624.8	8,160.6	7,942.7	7,804.7	8,229.7	32,137.7	7,385.6	8,013.7	7,837.7	6,410.4	29,647.4	25,917.4	26,426.9
INCOME STATEMENT														
TOTAL NET REVENUE	$11,438.0	$10,758.0	$2,108.0	$1,689.0	$1,853.0	$2,456.0	$8,106.0	$2,534.0	$2,003.0	$2,116.0	$1,841.2	$8,499.2	$7,768.1	$8,651.1
DOC (Incl. Cost of Fuel and Plant O&M)	$6,536.0	$7,684.0	$1,510.0	$1,150.0	$1,205.0	$1,800.0	$5,665.0	$1,852.0	$1,376.0	$1,377.1	$1,067.2	$5,672.3	$4,580.7	$5,091.1
Other Direct Operating Costs	$2,465.0	$1,156.0	$84.0	$89.0	$98.0	$92.0	$363.0	$83.0	$82.0	$15.9	$98.5	$279.3	$317.5	$336.5
General & Administrative Expenses	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
DIRECT OPERATING COSTS	$9,001.0	$8,840.0	$1,594.0	$1,239.0	$1,303.0	$1,892.0	$6,028.0	$1,935.0	$1,458.0	$1,393.0	$1,165.6	$5,951.6	$4,898.2	$5,427.6
GROSS PROFIT	$2,437.0	$1,918.0	$514.0	$450.0	$550.0	$564.0	$2,078.0	$599.0	$550.0	$723.0	$675.6	$2,547.6	$2,869.9	$3,223.5
Depreciation, Amortization and Expl. Exp.	$686.0	$687.0	$183.0	$189.0	$196.0	$207.0	$775.0	$210.0	$215.0	$218.0	$216.0	$859.0	$903.8	$1,007.5
Other Operating Costs	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
TOTAL OPERATING COSTS	$9,687.0	$9,527.0	$1,777.0	$1,428.0	$1,499.0	$2,099.0	$6,803.0	$2,145.0	$1,673.0	$1,611.0	$1,381.7	$6,810.7	$5,802.0	$6,435.1
OPERATING INCOME	$1,751.0	$1,231.0	$331.0	$261.0	$354.0	$357.0	$1,303.0	$389.0	$335.0	$505.0	$459.6	$1,688.6	$1,966.1	$2,216.0
Non-Operating Expenses	($31.0)	($538.0)	($179.0)	($92.0)	($167.0)	($149.0)	($587.0)	$126.0	($28.0)	$304.0	($15.0)	$387.0	($39.0)	($40.3)
EARNINGS BEFORE INTEREST & TAXES	$1,782.0	$1,769.0	$510.0	$353.0	$521.0	$506.0	$1,890.0	$263.0	$363.0	$201.0	$474.6	$1,301.6	$2,005.1	$2,256.4
Net Interest Expense, Incl. TCP Dividend	$210.0	$218.0	$78.0	$77.0	$93.0	$108.0	$356.0	$107.0	$102.0	$108.0	$109.0	$426.1	$525.7	$631.7
PRE-TAX INCOME	$1,572.0	$1,551.0	$432.0	$276.0	$428.0	$398.0	$1,534.0	$156.0	$261.0	$93.0	$365.5	$875.5	$1,479.4	$1,624.7
Income Tax Expense	$524.0	$438.0	$109.0	$90.0	$128.0	$95.0	$422.0	$58.0	$59.0	($32.0)	$142.6	$227.6	$577.0	$633.6
Minority Interest, Pref. Dividend & Other	$0.0	$0.0	$7.0	($12.0)	($17.0)	$15.0	($7.0)	($8.0)	($20.0)	($6.0)	($8.0)	($42.0)	($32.0)	($32.0)
NET INCOME PRE-X-ITEMS	$1,156.7	$1,074.8	$311.0	$242.5	$293.0	$288.0	$1,134.4	$200.0	$222.0	$259.0	$240.3	$921.3	$996.6	$1,087.3
Extraordinary Items & Other	$31.8	($38.2)	($5.0)	$44.5	($24.0)	$0.0	$15.5	$94.0	$0.0	$128.0	$9.3	$231.3	$62.1	$64.3
NET INCOME	$1,099.0	$1,113.0	$316.0	$198.0	$317.0	$288.0	$1,119.0	$106.0	$222.0	$131.0	$231.0	$690.0	$934.4	$1,023.0
NET INCOME PRE-X-ITEMS PER SHARE	$4.38	$4.28	$1.27	$0.98	$1.18	$1.16	$4.59	$0.80	$0.89	$1.04	$1.00	$3.72	$4.16	$4.53
Extraordinary Items & Other	$0.12	($0.15)	($0.02)	$0.18	($0.10)	$0.00	$0.06	$0.38	$0.00	$0.51	$0.04	$0.93	$0.26	$0.27
NET INCOME PER SHARE	$4.16	$4.43	$1.29	$0.80	$1.28	$1.16	$4.52	$0.42	$0.89	$0.52	$0.96	$2.79	$3.90	$4.27
CASH FLOW STATEMENT														
Adjustments to Revenue and Income	($90.0)	($483.0)	($176.0)	($151.0)	($143.0)	($97.0)	($567.0)	($34.0)	($19.0)	$277.0	$0.0	$224.0	$0.0	$0.0
Depreciation, Amortization and Expl. Exp.	$686.0	$687.0	$183.0	$189.0	$196.0	$207.0	$775.0	$210.0	$215.0	$218.0	$216.0	$859.0	$903.8	$1,007.5
Deferred Income Taxes	$149.0	$324.0	($29.0)	$119.0	$91.0	$114.0	$295.0	$61.0	$35.0	$37.0	$53.8	$186.8	$87.5	$46.8
Other Operating Cash Flow Items	$228.0	$23.0	$354.0	$158.0	$42.0	($497.0)	$57.0	$11.0	$206.0	($249.0)	($8.0)	($40.0)	($32.0)	($32.0)
Changes in Working Capital	$25.0	($483.0)	$491.0	($127.0)	($144.0)	($24.0)	$196.0	$534.0	($240.0)	($119.0)	$0.0	$175.0	$0.0	$0.0
OPERATING CASH FLOW	$2,097.0	$1,181.0	$1,139.0	$386.0	$359.0	($9.0)	$1,875.0	$888.0	$419.0	$295.0	$492.8	$2,094.7	$1,893.7	$2,045.3
Cap. Ex., Acquisitions, Investments	($2,176.0)	($4,681.0)	($522.0)	($644.0)	($983.0)	($702.0)	($2,851.0)	($496.0)	($671.0)	($466.0)	($1,118.8)	($2,751.8)	($2,953.4)	($1,520.5)
Proceeds from Sales	$103.0	$2,295.0	$0.0	$179.0	$0.0	$0.0	$179.0	$0.0	$0.0	$1,000.0	$850.0	$1,850.0	$0.0	$0.0
Other Investing Cash Flow Items	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	($250.2)	($250.2)	($1,024.6)	($1,344.2)
INVESTING CASH FLOW	($2,073.0)	($2,386.0)	($522.0)	($465.0)	($983.0)	($702.0)	($2,672.0)	($496.0)	($671.0)	$534.0	($519.0)	($1,152.0)	($3,978.0)	($2,864.8)
Net Equity Financing	($145.0)	($1,000.0)	$10.0	$18.0	$24.0	($1.0)	$51.0	$12.0	$8.0	($493.0)	($250.0)	($723.0)	$0.0	$0.0
Net Debt Capital & Other Financing	$144.0	$2,191.0	($61.0)	$246.0	$619.0	$153.0	$957.0	($201.0)	$295.0	$134.0	$321.6	$549.6	$2,453.5	$1,328.3
Financing Costs	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common and Preferred Dividends	($316.0)	($339.0)	($88.0)	($87.0)	($87.0)	($89.0)	($351.0)	($88.0)	($89.0)	($99.0)	($92.3)	($368.3)	($369.2)	($508.8)
Other Financing Cash Flow Items	$21.0	$16.0	($89.0)	$0.0	$6.0	$2.0	($81.0)	($3.0)	$4.0	($12.0)	$0.0	($11.0)	$0.0	$0.0
FINANCING CASH FLOW	($296.0)	$868.0	($228.0)	$177.0	$562.0	$65.0	$576.0	($280.0)	$218.0	($470.0)	($20.7)	($552.7)	$2,084.3	$819.4
CHANGE IN CASH	($281.0)	($337.0)	$389.0	$98.0	($62.0)	($646.0)	($221.0)	$112.0	($34.0)	$359.0	($47.0)	$390.0	($0.0)	$0.0
OP. CF BEFORE W/C PER SHARE	$7.83	$6.62	$2.64	$2.08	$2.02	$0.06	$6.79	$1.41	$2.64	$1.66	$2.05	$7.76	$7.90	$8.53
BALANCE SHEET														
Cash and Equivalents	$669.0	$358.0	$747.0	$845.0	$783.0	$145.0	$145.0	$266.0	$191.0	$551.0	$504.0	$504.0	$504.0	$504.0
Accounts Receivables	$4,064.0	$1,176.0	$884.0	$850.0	$902.0	$1,392.0	$1,392.0	$1,134.0	$1,046.0	$1,118.0	$1,118.0	$1,118.0	$1,118.0	$1,118.0
Inventory, Fuels and Materials	$224.0	$320.0	$150.0	$169.0	$296.0	$197.0	$197.0	$160.0	$151.0	$296.0	$296.0	$296.0	$296.0	$296.0
Other Current Assets	$6,381.0	$622.0	$1,546.0	$1,460.0	$715.0	$561.0	$561.0	$547.0	$485.0	$530.0	$530.0	$530.0	$530.0	$530.0
TOTAL CURRENT ASSETS	$11,338.0	$2,476.0	$3,327.0	$3,324.0	$2,696.0	$2,295.0	$2,295.0	$2,107.0	$1,873.0	$2,495.0	$2,448.0	$2,448.0	$2,448.0	$2,448.0
TOTAL PP&E	$14,884.0	$16,865.0	$17,208.0	$17,413.0	$17,772.0	$18,281.0	$18,281.0	$18,490.0	$18,924.0	$19,221.0	$20,374.0	$20,374.0	$23,448.2	$25,305.5
Other Long-term Assets	$3,869.0	$7,059.0	$6,799.0	$7,185.0	$7,927.0	$7,936.0	$7,936.0	$8,175.0	$8,289.0	$7,233.0	$6,383.0	$6,383.0	$6,383.0	$6,383.0
TOTAL ASSETS	$30,091.0	$26,400.0	$27,334.0	$27,922.0	$28,395.0	$28,512.0	$28,512.0	$28,772.0	$29,086.0	$28,949.0	$29,205.0	$29,205.0	$32,279.2	$34,136.5
Accounts Payables	$1,708.0	$1,012.0	$809.0	$799.0	$806.0	$912.0	$912.0	$892.0	$842.0	$946.0	$946.0	$946.0	$946.0	$946.0
Short-term Debt & Current Portions	$1,071.0	$913.0	$1,347.0	$915.0	$1,473.0	$1,191.0	$1,191.0	$1,239.0	$1,230.0	$887.0	$1,108.5	$1,108.5	$1,108.5	$908.5
Other Current Liabilities	$7,615.0	$1,687.0	$2,744.0	$2,639.0	$2,031.0	$1,785.0	$1,785.0	$2,107.0	$1,979.0	$1,944.0	$1,944.0	$1,944.0	$1,944.0	$1,944.0
TOTAL CURRENT LIABILITIES	$10,394.0	$3,612.0	$4,900.0	$4,353.0	$4,310.0	$3,888.0	$3,888.0	$4,238.0	$4,051.0	$3,777.0	$3,998.5	$3,998.5	$3,998.5	$3,798.5
Long-term Debt and Other Obligations	$4,553.0	$6,544.0	$6,044.0	$6,723.0	$6,845.0	$7,460.0	$7,460.0	$7,198.0	$7,562.0	$8,032.0	$7,489.3	$7,489.3	$9,942.8	$11,471.1
Deferred Income Taxes	$531.0	$946.0	$944.0	$1,206.0	$1,332.0	$1,318.0	$1,318.0	$1,419.0	$1,466.0	$1,516.0	$1,569.8	$1,569.8	$1,657.3	$1,704.0
Other Long-term Liabilities	$5,947.0	$6,910.0	$6,854.0	$6,829.0	$6,846.0	$6,516.0	$6,516.0	$6,543.0	$6,518.0	$6,538.0	$6,538.0	$6,538.0	$6,538.0	$6,538.0
TOTAL LONG-TERM LIABILITIES	$11,031.0	$14,400.0	$13,842.0	$14,758.0	$15,023.0	$15,294.0	$15,294.0	$15,160.0	$15,546.0	$16,086.0	$15,597.1	$15,597.1	$18,138.1	$19,713.1
Long-term Financings	$327.0	$419.0	$345.0	$334.0	$317.0	$323.0	$323.0	$314.0	$299.0	$284.0	$276.0	$276.0	$244.0	$212.0
TOTAL LIABILITIES	$21,752.0	$18,431.0	$19,087.0	$19,445.0	$19,650.0	$19,505.0	$19,505.0	$19,712.0	$19,896.0	$20,147.0	$19,871.6	$19,871.6	$22,380.5	$23,723.6
Equity and Additional Paid-in Capital	$3,305.0	$2,265.0	$2,281.0	$2,328.0	$2,381.0	$2,643.0	$2,643.0	$2,462.0	$2,493.0	$2,493.0	$2,243.0	$2,243.0	$2,243.0	$2,243.0
Retained Earnings	$5,402.0	$6,235.0	$6,456.0	$6,559.0	$6,779.0	$6,779.0	$6,779.0	$6,981.0	$7,106.0	$6,718.0	$6,856.7	$6,856.7	$7,421.9	$7,936.1
Other Stockholders' Equity	($368.0)	($531.0)	($490.0)	($410.0)	($415.0)	($415.0)	($415.0)	($383.0)	($409.0)	($409.0)	($409.0)	($409.0)	($409.0)	($409.0)
TOTAL STOCKHOLDERS' EQUITY	$8,339.0	$7,969.0	$8,247.0	$8,477.0	$8,745.0	$9,007.0	$9,007.0	$9,060.0	$9,190.0	$8,802.0	$8,690.7	$8,690.7	$9,255.9	$9,770.1
TOTAL LIABILITIES & EQUITY	$30,091.0	$26,400.0	$27,334.0	$27,922.0	$28,395.0	$28,512.0	$28,512.0	$28,772.0	$29,086.0	$28,949.0	$28,562.2	$28,562.2	$31,636.5	$33,493.7

Sources: Company reports; RBC Capital Markets estimates. Lasan Johong - (212) 428-6462; lasan.johong@rbccm.com; Ella Vuernick (212) 428-6492; Emily Christy (212) 428-6970.

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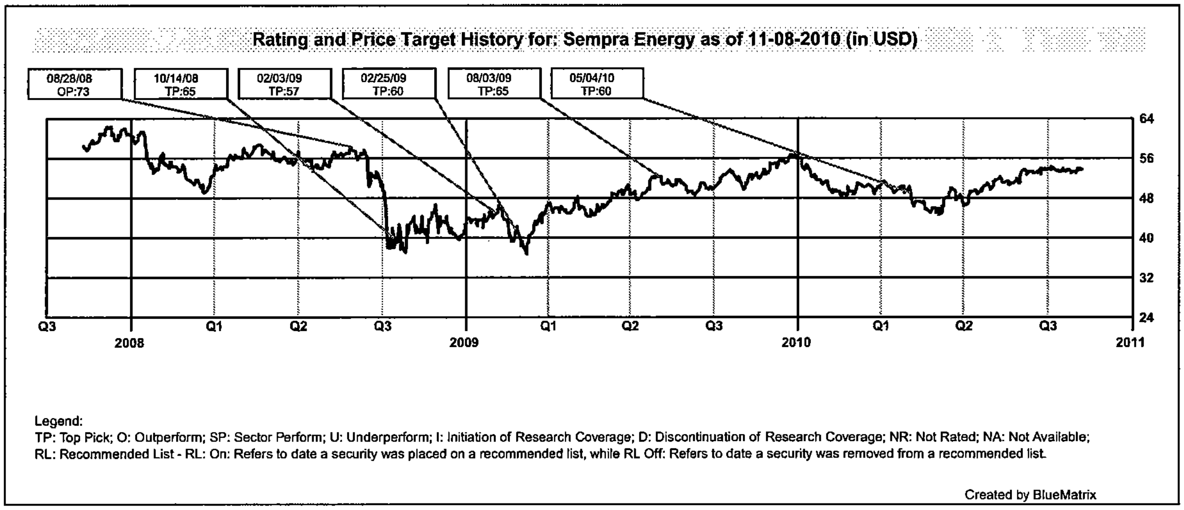

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