

SEMPRA ENERGY
Form 10-Q
August 02, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007
Commission file number 1-14201

SEMPRA ENERGY
(Exact name of registrant as specified in its charter)
California
(State or other jurisdiction of
incorporation or organization)

33-0732627
(I.R.S. Employer Identification
No.)

101 Ash Street, San Diego, California 92101
(Address of principal executive offices)
(Zip Code)

(619) 696-2034
(Registrant's telephone number, including area code)
No Change
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [] Non-accelerated filer []

Edgar Filing: SEMPRA ENERGY - Form 10-Q

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

Yes

No

X

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

Common stock outstanding on July 31, 2007:

264,024,122

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimates," "believes," "expects," "anticipates," "plans," "intends," "may," "could," "would" and "should" or similar expressions, or discussions of strategy or of plans are intended to identify forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in these forward-looking statements.

Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others, local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the California Public Utilities Commission, the California State Legislature, the California Department of Water Resources, the Federal Energy Regulatory Commission, the Federal Reserve Board, the U.K. Financial Services Authority and other environmental and regulatory bodies in the United States and other countries; capital markets conditions, inflation rates, interest rates and exchange rates; energy and trading markets, including the timing and extent of changes in commodity prices; the availability of natural gas and liquefied natural gas; weather conditions and conservation efforts; war and terrorist attacks; business, regulatory, environmental and legal decisions and requirements; the status of deregulation of retail natural gas and electricity delivery; the timing and success of business development efforts; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. Readers are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which affect the company's business described in this report and other reports filed by the company from time to time with the Securities and Exchange Commission.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEMPRA ENERGY
STATEMENTS OF CONSOLIDATED INCOME

(Dollars in millions, except per share amounts)	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	(unaudited)			
OPERATING REVENUES				
Sempra Utilities	\$ 1,620	\$ 1,568	\$ 3,679	\$ 3,696
Sempra Global and parent	1,041	918	1,986	2,126
Total operating revenues	2,661	2,486	5,665	5,822
OPERATING EXPENSES				
Sempra Utilities:				
Cost of natural gas	603	535	1,653	1,665
Cost of electric fuel and purchased power	163	153	312	363
Sempra Global and parent:				
Cost of natural gas, electric fuel and purchased power	278	233	614	531
Other cost of sales	221	313	540	689
Other operating expenses	743	680	1,376	1,356
Depreciation and amortization	171	171	340	328
Franchise fees and other taxes	68	64	149	141
Total operating expenses	2,247	2,149	4,984	5,073
Operating income	414	337	681	749
Other income (expense), net	45	(5)	56	(1)
Interest income	24	25	50	39
Interest expense	(66)	(87)	(136)	(183)
Preferred dividends of subsidiaries	(3)	(3)	(5)	(5)
Income from continuing operations before income taxes				
and equity in earnings of certain unconsolidated subsidiaries	414	267	646	599
Income tax expense	143	96	206	204
Equity in earnings of certain unconsolidated subsidiaries	9	14	67	24

Edgar Filing: SEMPRA ENERGY - Form 10-Q

Income from continuing operations	280	185	507	419
Discontinued operations, net of income tax	(3)	188	(2)	209
Net income	\$ 277	\$ 373	\$ 505	\$ 628

Basic earnings per share:

Income from continuing operations	\$ 1.08	\$ 0.73	\$ 1.95	\$ 1.64
Discontinued operations, net of income tax	(0.01)	0.73	(0.01)	0.82
Net income	\$ 1.07	\$ 1.46	\$ 1.94	\$ 2.46
Weighted-average number of shares outstanding (thousands)	260,198	255,728	259,830	254,996

Diluted earnings per share:

Income from continuing operations	\$ 1.06	\$ 0.71	\$ 1.92	\$ 1.61
Discontinued operations, net of income tax	(0.01)	0.72	(0.01)	0.81
Net income	\$ 1.05	\$ 1.43	\$ 1.91	\$ 2.42
Weighted-average number of shares outstanding (thousands)	264,963	260,320	264,518	259,804
Dividends declared per share of common stock	\$ 0.31	\$ 0.30	\$ 0.62	\$ 0.60

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	June 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,352	\$ 920
Restricted cash	1	4
Trade accounts receivable, net	682	938
Other accounts and notes receivable, net	90	97
Deferred income taxes	349	270
Interest receivable	5	40
Trading-related receivables and deposits, net	2,346	3,047
Derivative trading instruments	3,197	4,068
Commodities owned	1,763	1,845
Inventories	167	215
Regulatory assets	136	193
Other	442	317
Current assets of continuing operations	10,530	11,954
Current assets of discontinued operations	58	62
Total current assets	10,588	12,016
Investments and other assets:		
Regulatory assets arising from fixed-price contracts and other derivatives	331	353
Regulatory assets arising from pension and other postretirement benefit obligations	373	356
Other regulatory assets	445	472
Nuclear decommissioning trusts	728	702
Investments	1,122	1,086
Sundry	840	789
Total investments and other assets	3,839	3,758
Property, plant and equipment:		
Property, plant and equipment	19,980	18,916
Less accumulated depreciation and amortization	(5,930)	(5,741)

Edgar Filing: SEMPRA ENERGY - Form 10-Q

	Property, plant and equipment, net	14,050	13,175
Total assets		\$ 28,477	\$ 28,949

See Notes to Condensed Consolidated Financial Statements.

SEMPRA ENERGY
CONSOLIDATED BALANCE SHEETS

(Dollars in millions)	June 30, 2007 (unaudited)	December 31, 2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 627	\$ 252
Accounts payable - trade	1,190	1,432
Accounts payable - other	128	155
Due to unconsolidated affiliate	60	--
Income taxes payable	28	