



NARUC UMAP

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SDG&E and SoCalGas' DBE Efforts & Finance Areas

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Recent Results

Overview of Plans

Investment Policies / Comments

Future Opportunities

Sempra Energy utilities' DBE Results

In 2009, we spent over 31% of our total spend for “goods and services” with women, minority and service disabled veteran businesses.

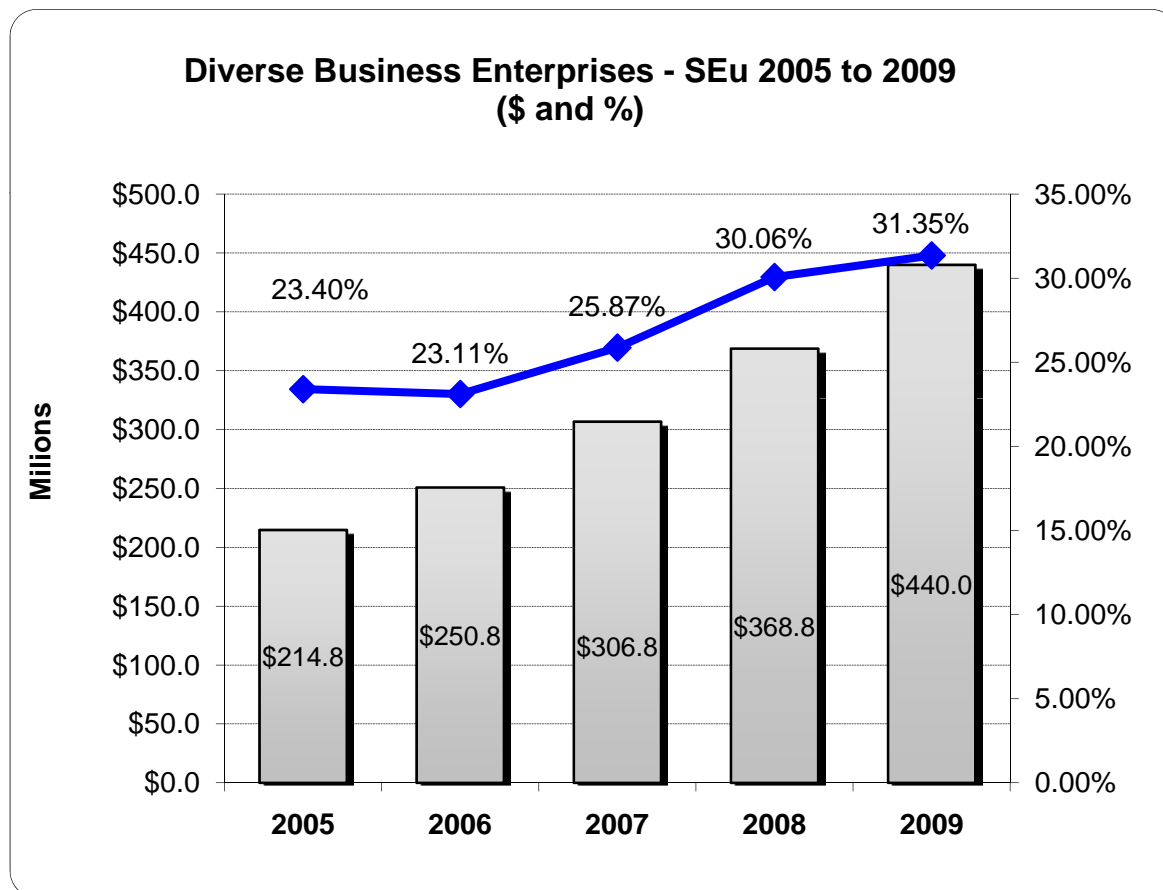
➤ ***SDG&E and SoCalGas DBE***

= 31.35%

- ***Total Spend \$1.4 Billion***
- ***DBE Spend \$440 Million***

➤ ***A \$71 million increase or 19% over 2008***

➤ ***Results consistently above 23%***





SDG&E and SoCalGas – Finance Area Progress

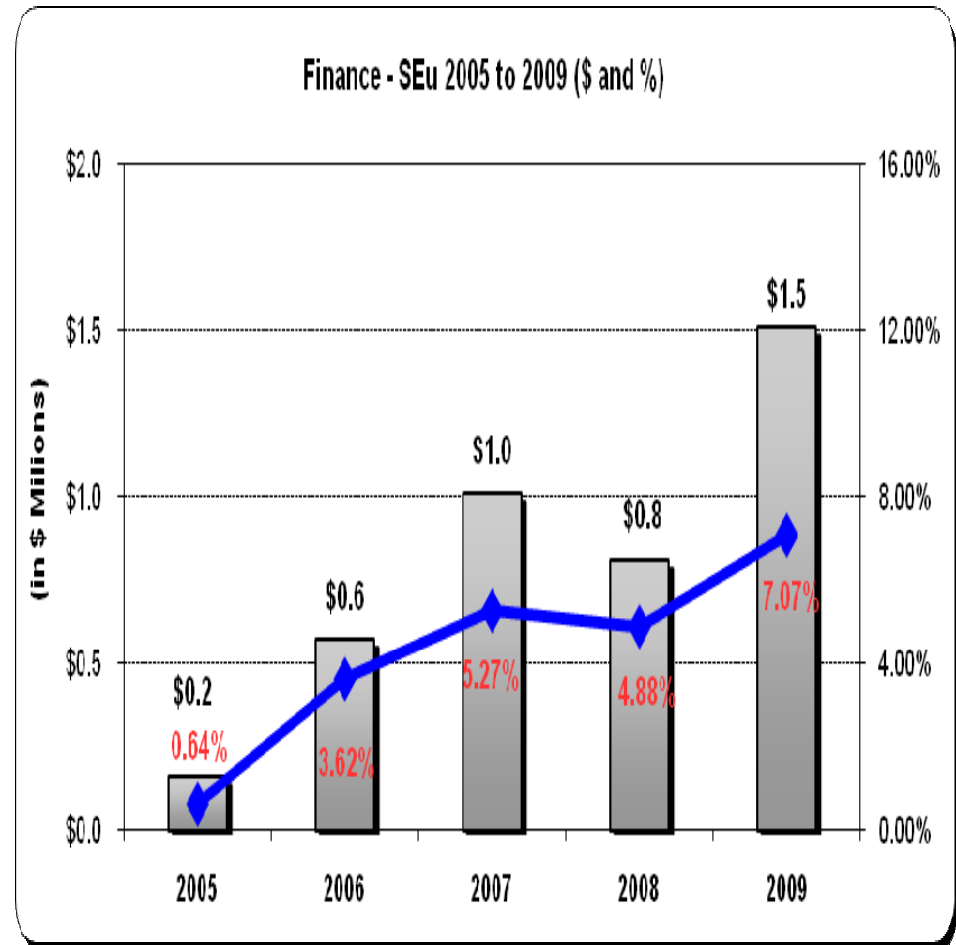
- In late 2005, California Commissioners focused on Finance as an underdeveloped DBE area.
- SoCalGas, SDG&E and other utilities had made limited progress in Finance by 2005, but the Commissioners helped make great strides

- SoCalGas and SDG&E have made great progress in Finance:

2005	3 DBE Suppliers	\$ 160k
2007	11 DBE Suppliers	\$ 1.0 million
2009	20 DBE Suppliers	\$ 1.5 million

We continue to make great progress in Financial Services...

- **Financial Services 7.07% (2009)**
 - **DBE spend \$1.5M**
- **Biggest improvement has been in Investment Banking**
- **Partnering with minority focused Community banking institutions**
- **Other areas of improvement are bonding, insurance, and pension fund trading, rate case consulting**





SDG&E and SoCalGas –

A Closer Look at Outstanding Finance Areas

Investment Banking

- **In 2009- 6 DBEs used for utility debt issuances in co manager roles**
- **In 2010- SDG&E Minority Investment Banks in Lead and 2 Co-manager roles for SDG&E - \$250 million issuance- 1st Lead role**
- **Goal for SoCalGas - Minority role lead in future SoCalGas issuance**

Pension Advisement

- **We have had 8 Minority Fund Advisors doing pension and nuclear decommissioning trust asset management over the last ten years**

Pension & Nuclear Decommissioning Trading

- **Pension Trading with DBEs as high as 71% of Trades**
 - **We request all of our institutional managers to use DBE/WMBE brokerage on best price / execution basis with a 30% target**



Sempra Energy Long Term Assets

Defined Benefit Pension Plans / 401h	\$ 2.600 billion
Nuclear Decommissioning Trusts (*)	750 million
<u>Post-Retirement Medical Trusts (*)</u>	<u>400 million</u>
Total	\$ 3.750 billion

**Minority Asset Management Firms = 1 account at \$35 million
in the past, as many as 5**

**Defined Benefit Pension is 100% Index Funds
active managers can't beat market over time
zero sum game
efficient market hypothesis
fee reductions can add significant value over time**

*** = taxable**

Future Plans for SDG&E and SoCalGas

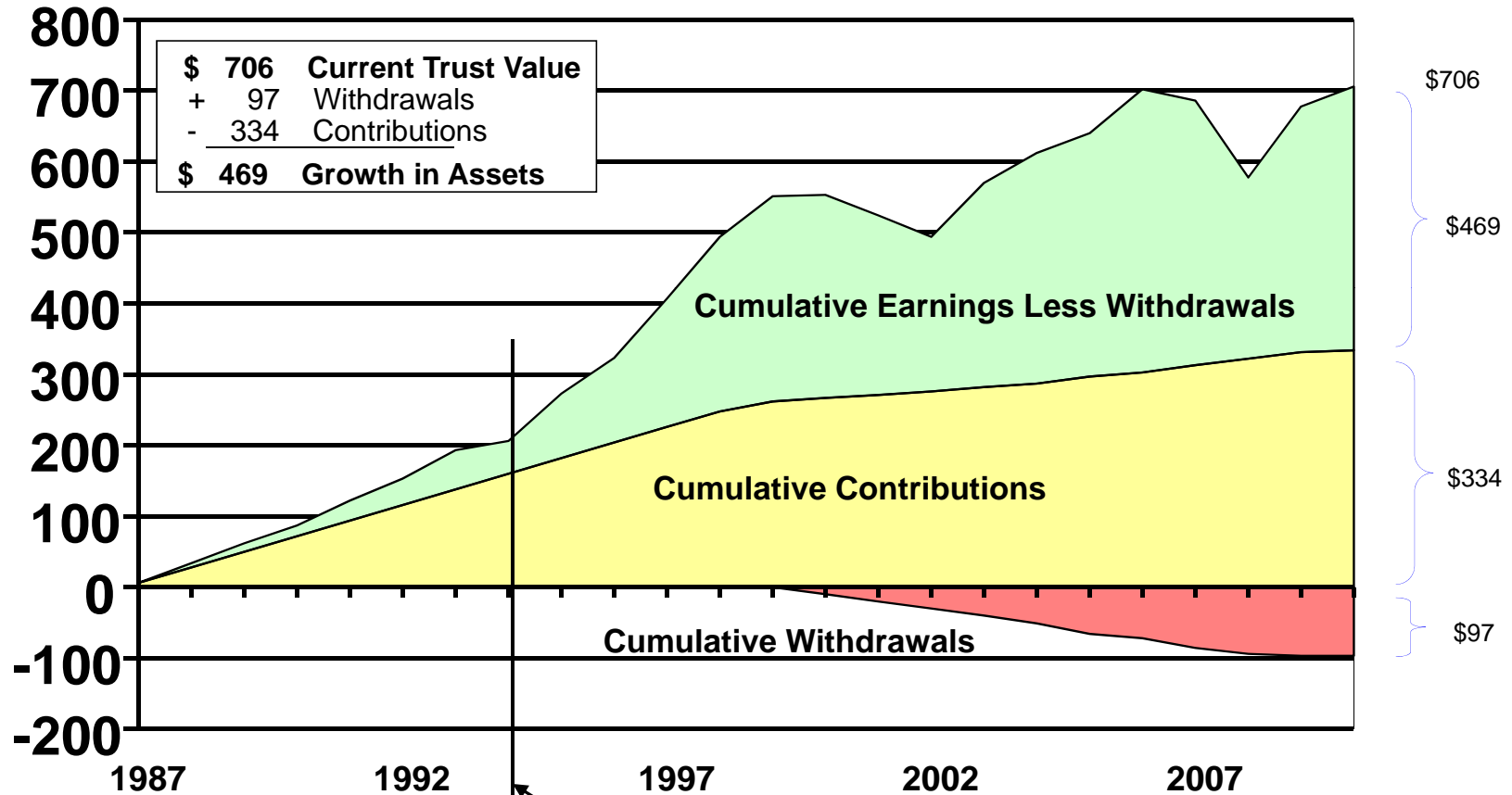
- **Meet or exceed our 30% goal in trading through minority brokerage**
- **Minority Women DBE capacity building focus**
- **Technical assistance with local universities**
- **Increasing DBE Efforts in Finance**
- **Increase asset management for pension and nuclear decommissioning trust**
 - **Current search for Nuclear Decommissioning Trust for a taxable fixed Income mandate**
 - **Future searches in pension depends on decisions related to active passive mix and use of alternatives**



Growth in Nuclear Decommissioning Trusts

March 31, 2010

(\$ millions)



Change in investment guidelines allowing equities in Trust



WMBE firms captured 71% of equity trades in Q2 of 2010

Approximately \$2.0 billion in US and Foreign Equity (taxable & tax-exempt)

	2 nd Quarter		3 rd Quarter	
Total WMBE-Owned Firms	\$	25.5k 71%	17.1k	52%
Non-WMBE Firms	\$	10.2k 29%	15.6k	48%
Total Brokerage	\$	35.8k	32.7k	
Shares Volume		8.8 million	3.3 million	
\$ Volume		\$81 million	\$46 million	

Active WMBE-Owned Firms Capturing Equity Trades

CABRERA CAPITAL MARKETS

LOOP CAPITAL MARKETS

MISCHLER FINANCIAL GROUP

MONTROSE SECURITIES



Fewer minority trades in bond portfolios

4% in 2008, 0% in 2009 & 2010

\$ 70 million Active Taxable Fixed Income Account

Broker Name	Trade Amount	Volume %	# of Trades
BANK OF AMERICA	\$ 4,740,000	12.9%	6
BANK OF OKLAHOMA	\$ 1,000,000	2.7%	1
BANQUE PARIBAS	\$ 3,355,000	9.1%	5
BARCLAYS	\$ 450,000	1.2%	1
CANTOR FITZGERALD LP	\$ 1,300,000	3.5%	1
CITIGROUP GLOBAL	\$ 10,675,000	29.1%	17
DEUTSCHE BANK	\$ 315,000	0.9%	1
GOLDMAN SACHS	\$ 3,500,000	9.5%	2
GREENWICH CAPITAL MARKETS	\$ 4,375,000	11.9%	2
JP MORGAN	\$ 3,370,000	9.2%	4
LEHMAN BROTHERS	\$ 945,000	2.6%	2
MORGAN KEEGAN	\$ 365,000	1.0%	1
MORGAN STANLEY	\$ 685,000	1.9%	2
WILLIAMS CAPITAL GROUP	\$ 1,600,000	4.4%	1

Total Minority/Women/Veteran Owned

\$ 1,600,000 4.4% 1 2008

Total Brokerage

\$ 36,675,000 46

0 2009

0 2010



\$35 million active taxable municipal bond portfolio

Fixed Income	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>YTD 2010</u>		<u>Since Inception</u>	
Total WMBE-Owned Firms	\$ 8.9	16%	0.8	5%	1.0	9%	0.3	2%	16.5	13%
Non-WMBE Firms	\$ 47.1	84%	15.2	95%	10.3	91%	9.9	98%	106.2	87%
	\$ 56.0		\$ 16.0		\$ 11.3		\$ 10.2		\$ 122.7	

Active WMBE Fixed Brokerage Firms Capturing Trades

CABRERA CAPITAL MARKETS

Duncan Williams

E.J. Delarosa

Great Pacific Securities

Grigsby & Associates

M.R. Beal & Co.

Popular Securities Quion

SBK Brooks

Siebert, Branford, Shank

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Pension Fund is passively managed

- **Separate account index (no comingled funds)**
- **Customizable**
- **No trading windows, no block-outs**
- **Zero tracking error**
- **No Transitions**

Zero Allocation to Alternative Assets

Trading Activity is Low

- **Cash flows for benefit payments**
- **Contributions**
- **Re-constitution of Index**

Nuclear Decommissioning Trust is 1/2 Active 1/2 Passive

- **CPUC and IRS 468 a regulations limit activity**
- **Taxes impede trading**
- **Loss-harvesting / Low turnover**
- **After tax investing requires special skill set (customized asset management)**



Thank you

**Please contact Brian Chew, Director of Pensions
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have any questions at jthorsen@semprautilities.com , or
BChew@sempra.com.**