

Statements of Consolidated Income

For the years ended December 31 (Dollars in millions, except per share amounts)

	1998	1997	1996
REVENUES AND OTHER INCOME			
Utility revenues:			
Natural gas	\$2,772	\$2,964	\$2,710
Electric	1,865	1,769	1,591
PX/ISO power	500	—	—
Other operating revenues	344	336	195
Other income	44	58	28
Total	<u>5,525</u>	<u>5,127</u>	<u>4,524</u>
EXPENSES			
Cost of natural gas distributed	954	1,168	958
PX/ISO power	468	—	—
Purchased power	292	441	311
Electric fuel	177	164	134
Operating expenses	1,872	1,615	1,405
Depreciation and amortization	929	604	587
Franchise payments and other taxes	182	178	180
Preferred dividends of subsidiaries	12	18	22
Total	<u>4,886</u>	<u>4,188</u>	<u>3,597</u>
INCOME BEFORE INTEREST AND INCOME TAXES	639	939	927
INTEREST	207	206	200
INCOME BEFORE INCOME TAXES	432	733	727
INCOME TAXES	138	301	300
NET INCOME	<u>\$ 294</u>	<u>\$ 432</u>	<u>\$ 427</u>
NET INCOME PER SHARE OF COMMON STOCK (BASIC)	<u>\$ 1.24</u>	<u>\$ 1.83</u>	<u>\$ 1.77</u>
NET INCOME PER SHARE OF COMMON STOCK (DILUTED)	<u>\$ 1.24</u>	<u>\$ 1.82</u>	<u>\$ 1.77</u>
COMMON DIVIDENDS DECLARED PER SHARE	<u>\$ 1.56</u>	<u>\$ 1.27</u>	<u>\$ 1.24</u>

See notes to Consolidated Financial Statements.



Consolidated Balance Sheets

At December 31 (Dollars in millions)

1998

1997

ASSETS

Current assets:

Cash and cash equivalents	\$ 424	\$ 814
Accounts receivable—trade	586	633
Accounts and notes receivable—other	159	202
Deferred income taxes	93	15
Energy trading assets	906	587
Inventories	151	111
Regulatory balancing accounts—net	—	297
Other	139	102
Total current assets	<u>2,458</u>	<u>2,761</u>

Investments and other assets:

Regulatory assets	980	1,186
Nuclear-decommissioning trusts	494	399
Investments	548	429
Other assets	535	439
Total investments and other assets	<u>2,557</u>	<u>2,453</u>

Property, plant and equipment:

Property, plant and equipment	11,235	10,902
Less accumulated depreciation and amortization	(5,794)	(5,360)
Total property, plant and equipment—net	<u>5,441</u>	<u>5,542</u>
Total assets	<u>\$10,456</u>	<u>\$10,756</u>

See notes to Consolidated Financial Statements.



At December 31 (Dollars in millions)

1998

1997

LIABILITIES

Current liabilities:

Short-term debt	\$ 43	\$ 354
Accounts payable–trade	702	625
Accrued income taxes	27	5
Energy trading liabilities	805	557
Dividends and interest payable	168	121
Regulatory balancing accounts–net	120	—
Long-term debt due within one year	330	270
Other	271	279
Total current liabilities	2,466	2,211

Long-term debt:

Long-term debt	2,795	3,045
Debt of Employee Stock Ownership Plan	—	130
Total long-term debt	2,795	3,175

Deferred credits and other liabilities:

Customer advances for construction	72	72
Post-retirement benefits other than pensions	240	248
Deferred income taxes	634	741
Deferred investment tax credits	147	155
Deferred credits and other liabilities	985	916
Total deferred credits and other liabilities	2,078	2,132

Preferred stock of subsidiaries

204	279
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Commitments and contingent liabilities (Note 13)

SHAREHOLDERS' EQUITY

Common stock	1,883	1,849
Retained earnings	1,075	1,157
Less deferred compensation relating to Employee Stock Ownership Plan	(45)	(47)
Total shareholders' equity	2,913	2,959
Total liabilities and shareholders' equity	\$10,456	\$10,756

See notes to Consolidated Financial Statements.



Statements of Consolidated Cash Flows

For the years ended December 31 (Dollars in millions)

	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 294	\$ 432	\$ 427
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	929	604	587
Deferred income taxes and investment tax credits	(199)	(16)	26
Other—net	(180)	62	56
Net changes in other working capital components	479	(164)	68
Net cash provided by operating activities	1,323	918	1,164
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(438)	(397)	(413)
Acquisitions of subsidiaries	(191)	(206)	(50)
Contributions to decommissioning trusts	(22)	(22)	(22)
Other	(28)	23	(29)
Net cash used in investing activities	(679)	(602)	(514)
CASH FLOWS FROM FINANCING ACTIVITIES			
Common stock dividends	(325)	(301)	(300)
Sale of common stock	34	17	8
Repurchase of common stock	(1)	(122)	(24)
Redemption of preferred stock	(75)	—	(225)
Issuances of other long-term debt	75	140	304
Issuance of rate-reduction bonds	—	658	—
Payment on long-term debt	(431)	(416)	(459)
Increase (decrease) in short-term debt—net	(311)	92	29
Net cash provided by (used in) financing activities	(1,034)	68	(667)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(390)	384	(17)
CASH AND CASH EQUIVALENTS, JANUARY 1	814	430	447
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 424	\$ 814	\$ 430

See notes to Consolidated Financial Statements.



Statements of Consolidated Cash Flows

For the years ended December 31 (Dollars in millions)

1998

1997

1996

CHANGES IN OTHER WORKING CAPITAL COMPONENTS

(Excluding cash and cash equivalents, short-term debt
and long-term debt due within one year)

Accounts and notes receivable	\$ 90	\$(129)	\$(58)
Net trading assets	(71)	—	—
Inventories	(40)	(2)	32
Regulatory balancing accounts	417	48	9
Other current assets	(26)	41	40
Accounts payable and other current liabilities	109	(122)	45
Net change in other working capital components	<u>\$479</u>	<u>\$(164)</u>	<u>\$ 68</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest (net of amounts capitalized)	\$211	\$ 193	\$205
Income taxes (net of refunds)	\$366	\$ 274	\$268

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Acquisitions of Sempra Energy Trading :

Assets acquired	—	\$ 609	—
Cash paid	—	(225)	—
Liabilities assumed	—	\$ 384	—

Liabilities assumed for real estate investments

\$ 36	\$ 126	\$ 97
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Nonutility electric generation assets sold:

Book value of assets sold	—	\$ 77	—
Cash received	—	(20)	—
Loss on sale	—	(6)	—
Note receivable obtained	—	\$ 51	—

See notes to Consolidated Financial Statements.



Statements of Consolidated Changes in Shareholders' Equity

For the years ended December 31, 1998, 1997, and 1996 (Dollars in millions)	Common Stock	Retained Earnings	Deferred Compensation Relating to ESOP	Total Shareholders' Equity
Balance at December 31, 1995	\$1,968	\$ 899	\$(52)	\$2,815
Net income		427		427
Common stock dividends declared		(300)		(300)
Sale of common stock	8			8
Repurchase of common stock	(24)			(24)
Common stock released from ESOP			3	3
Long-term incentive plan	1			1
Balance at December 31, 1996	1,953	1,026	(49)	2,930
Net income		432		432
Common stock dividends declared		(301)		(301)
Sale of common stock	17			17
Repurchase of common stock	(122)			(122)
Common stock released from ESOP			2	2
Long-term incentive plan	1			1
Balance at December 31, 1997	1,849	1,157	(47)	2,959
Net income		294		294
Common stock dividends declared		(376)		(376)
Sale of common stock	34			34
Repurchase of common stock	(1)			(1)
Common stock released from ESOP			2	2
Long-term incentive plan	1			1
Balance at December 31, 1998	\$1,883	\$1,075	\$(45)	\$2,913

See notes to Consolidated Financial Statements.

