

# SRE Earnings Call Transcript

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**Quarter: 3**

Operator: Good day, and welcome to Sempra's Third Quarter Earnings Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Louise Bick. Please go ahead.

Louise Bick: Good morning, and welcome to Sempra's Third Quarter 2025 Earnings Call. A live webcast of this teleconference and slide presentation are available on our website under the Events and Presentations section. We have several members of our management team with us today, including Jeff Martin, Chairman and Chief Executive Officer; Karen Sedgwick, Executive Vice President and Chief Financial Officer; Justin Bird, Executive Vice President of Sempra and Chief Executive Officer of Sempra Infrastructure; Caroline Winn, Executive Vice President of Sempra; Allen Nye, Chief Executive Officer of Oncor; and other members of our senior management team. Before starting, I'd like to remind everyone that we'll be discussing forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected in any forward-looking statements we make today. The factors that could cause our actual results to differ materially are discussed in the company's most recent 10-K and 10-Q filed with the SEC. Earnings per common share amounts in our presentation are shown on a diluted basis, and we'll be discussing certain non-GAAP financial measures. Please refer to the presentation slides that accompany this call for a reconciliation to GAAP measures. We'll also encourage you to review our 10-Q for the quarter ended September 30, 2025. I'd also like to mention that forward-looking statements contained in this presentation speak only as of today, November 5, 2025, and it's important to note that the company does not assume any obligation to update or revise any of these forward-looking statements in the future. With that, please turn to Slide 4, and let me hand the call over to Jeff.

Jeffery Martin: Thank you all for joining us today. Before discussing today's financial results, I want to spend a moment reviewing how we've positioned our portfolio to deliver significant value to our owners through the end of the decade. Today, our company is situated at the intersection of several important secular trends, including the ongoing electrification of America's energy systems, AI deployment and the growing need to deliver energy safely and reliably. In order to capitalize on these trends, we've worked closely with our Board of Directors to update our corporate strategy to focus on lower risk and higher value transmission and distribution investments, growing our position as a leader in large economic markets, shifting our capital allocation to fund the growing needs of our U.S. utilities and doing so with a sharp focus on Texas, which is a market that we believe offers the best long-term value proposition for our owners. Next, let me turn to our financial results. Earlier this morning, we reported third quarter 2025 adjusted EPS of \$1.11, which compares favorably with the prior period's results of \$0.89. Also, with the strength of our year-to-date results, we're affirming full year 2025 adjusted EPS guidance range of \$4.30 to \$4.70 while also affirming our 2026 EPS guidance range of \$4.80 to \$5.30. And finally, we're affirming our projected long-term EPS growth rate as shown on this slide. Please turn to the next slide, where I'll provide an update on our 2025 value creation initiatives. You'll recall that earlier this year, we announced a company-wide campaign focused on 5 initiatives to create value for owners. First, we set a goal of investing approximately \$13 billion this year with the vast majority being allocated to our U.S. utilities. Through the first 3 quarters, I'm pleased to report that we've successfully deployed nearly \$9 billion of capital and remain on track to meet or exceed our year-end goal of \$13

billion. Moreover, at Sempra Texas, we're benefiting from improving returns, primarily attributable to increased capital efficiency at Oncor, which is associated with the newly implemented unified tracker mechanism. Moving to the second initiative. We're pleased with our recent announcement to sell a 45% stake in Sempra Infrastructure Partners for \$10 billion. We view that transaction as a major catalyst in unlocking Sempra Infrastructure's franchise value while also benefiting Sempra in numerous ways, including: number one, improving our business growth profile as the mix of regulated earnings significantly increases; number two, unlocking reinvestment capital for our U.S. utilities; number three, adding an average of \$0.20 to EPS accretion over the 5-year period starting in 2027; and number four, fortifying our balance sheet, deconsolidating Sempra Infrastructure Partners' debt and paving the way for improved credit metrics. In parallel, the ongoing sales process for Ecogas continues to generate a lot of interest from a number of prospective buyers, and we're expecting to receive final bids before the end of the year. Both transactions are expected to close by the middle of 2026. The last initiative shown here at the bottom of the slide is aimed at improving community safety and driving operational excellence across the organization. This includes efforts to improve the regulatory environment with a view toward reducing enterprise risk. A great example is California SB 254, which strengthened the long-term stability of the state's wildfire fund while also improving claims liquidity. The key takeaway on this slide is that progress on these initiatives is translated into improved financial and operational results, and I cannot be more proud of our employees who have embraced our commitment to both modernize and scale our organization, improve our cost structure and better serve all of Sempra's stakeholders. Please turn to the next slide where Karen will walk through business updates.

Karen Sedgwick: Thanks, Jeff. At Sempra, California, SB 254 was enacted, which is a significant derisking event for the California electric utilities. Jeff mentioned it earlier that the bill calls for an even split of funding between the California IOUs and their customers with no upfront contributions. Importantly, SDG&E's share of the various contributions is a modest 4.3% for what amounts to just under \$13 million per year through 2045, with additional future contingent contributions being required only if needed. Continuation account also strengthens the cap on reimbursement in the event of a finding of imprudence. It's also important to note that any contributions made by IOU shareholders to the continuation account may be also counted as prepaid credits against potential reimbursement amounts in the future. Taken together, we believe these measures, which are outlined on Slide 15 in the appendix, significantly strengthened the financial safeguards for electric utilities, an important achievement for all of California. As we approach year-end, we're tracking several regulatory matters in California that we hope to wrap up, including Track 2 of the GRC, the T06 proceeding at FERC and the CPUC's cost of capital proceeding. Moving to Sempra Infrastructure. We previously announced a definitive sales agreement that's expected to reduce our ownership percentage to 25% will be accretive to EPS forecast and credit. And following the close of the transaction, we expect to maintain a solid cushion above our FFO to debt thresholds. Among other benefits, a lower equity stake will also improve our regulated earnings mix, while allowing Sempra to deconsolidate Sempra Infrastructure's debt from our GAAP financials. In our LNG business, Port Arthur LNG Phase 1 continues to make notable headway with Train 1 expected to reach COD in 2027. We're on schedule and on budget with over 1/3 of piping installation complete on Train 1. Recently, we also completed the Tank A Roof Air Raise, which is another important milestone for the project. Earlier in the quarter, you'll recall that we also reached FID at Port Arthur Phase 2 and issued a full notice to proceed under our fixed-price EPC contract with Bechtel. This is important because it gives us the opportunity to leverage continuous construction at the site and reduce project risk. To date, we placed all high-value orders for long lead plant equipment and also completed the project's first permanent piles for Tank C and Train 3. I'll also add that the value proposition of Sempra Infrastructure's LNG franchise continues to grow. As the European Council recently backed the EU's proposal to end deliveries of pipeline gas and LNG from Russia by the end of 2027. Moving to ECA LNG Phase 1. The project is over 95% complete and pre-commissioning activities are ongoing. Certain systems have moved into the commissioning phase, and we're currently working on repairing an auxiliary turbine designed to increase efficiency. Based on progress at the site, we continue to expect first LNG production in the spring 2026 with commissioning cargoes expected to commence thereafter. At Cimarron Wind construction continues to advance with the overall project being approximately 95% complete. And just last week, Cimarron achieved initial

synchronization of approximately 1/3 of the turbines that are now online and operational. And importantly, the project remains on target to achieve COD in the first half of 2026. Finally, at Sempra Texas. Oncor's base rate review continues to make considerable progress. In September, a settlement on interim rates was approved that allows Oncor to apply the final approved rates back to January 1, 2026, if the case is not finalized by that date. And through October, Oncor has evaluated interpreter arguments, submitted rebuttal testimony and is actively engaged in settlement discussions with all parties. Next, the procedural schedule calls for a hearing on the merits to begin the week of November 17. With completion of the base rate review and an updated 2024 test year, together with the opportunity to improve capital efficiency with the UTM, Oncor will be better positioned to support customer growth across its service territory. And at the end of September, we continue to see strong growth in Oncor's core markets. Oncor's active LC and IQ has increased over 10% from the prior quarter. Further, premise count increased by 16,000 and Oncor also built, rebuilt or upgraded nearly 660 circuit miles of T&D; lines during the quarter. As customer growth continues to accelerate, in the transmission expansion plans advance, Oncor anticipates a substantial increase to its 2026 to 2030 capital plan. Please turn to the next slide. Turning to the Texas 765 transmission expansion. We believe this remains a key growth driver that's underappreciated by the market. ERCOT estimates \$32 billion to \$35 billion to complete the full build-out. And as a reminder, we estimate Oncor's portion of these projects will surpass 50% of the total investment with Permian projects expected to come online by the end of 2030 and non-Permian projects being completed in the 2030 to 2034 time frame. As a result, Oncor is now forecasting an increase of over 30% to its projected 2026 to 2030 capital plan. And though we're still early in our fall planning process, Oncor continues to see substantial upside opportunities to its updated base plan forecast. That's why at Sempra, we're prioritizing the Texas market within our portfolio and assuming a constructive rate case outcome you should expect us to allocate a significantly greater share of investment capital to Sempra Texas in our roll forward plan. Please turn to the next slide, where I'll review the third quarter financial results. Earlier today, Sempra reported third quarter 2025 GAAP earnings of \$77 million or \$0.12 per share. This compares to third quarter 2024 GAAP earnings of \$638 million or \$1 per share. Note that third quarter 2025 GAAP earnings include a \$514 million tax expense related to classifying Sempra Infrastructure Partners as held for sale, which is nonrecurring in nature. On an adjusted basis, we're pleased with our strong year-to-date execution, as third quarter 2025 earnings were \$728 million or \$1.11 per share. This compares favorably to our third quarter 2024 adjusted earnings of \$566 million or \$0.89 per share. We believe this sets us up well for the remainder of the year as well as next year where we're anticipating strong year-over-year growth from the midpoint of our 2025 guidance. We're continuing to expect several regulatory decisions in the next several months and don't want to get ahead of the CPUC. Ultimately, the resolution of these matters will be helpful in determining where our full year financial results come in. Please turn to the next slide. Variances in the third quarter 2025 adjusted earnings as compared to the same period last year can be summarized as follows: At Sempra, California, we had \$76 million primarily from higher income tax benefits, partially offset by higher net interest expense. This included \$32 million associated with the election to accelerate deductions for self-developed software expenses authorized under OB3 as well as return to provision impacts and timing of flow-through tax benefits in the quarter. We're also pleased that Sempra California had \$47 million from higher CPUC based operating margin, net of operating expenses, partially offset by lower cost of capital. Turning to Sempra Texas. We had \$45 million of higher equity earnings from higher invested capital, Oncor system resiliency plan and unified tracker mechanism, partially offset by higher operating and interest expenses. At Sempra Infrastructure, we had \$26 million, primarily from higher asset optimization, partially offset by lower transportation results, lower tax benefits and others. At the parent, the \$32 million decrease is primarily due to higher net interest expense, lower investment gains and others, partially offset by higher income tax benefits from OB3. Please turn to the next slide. To conclude our prepared remarks, we continue to execute on our 2025 value creation initiatives and also have delivered solid third quarter and year-to-date financial results. Further, the Sempra Infrastructure Partners transaction is a significant positive catalyst for our company and reinforces our mission of building America's leading utility growth business. To accomplish that, we're targeting strong rate base growth in Texas and California with a view towards posting improved and more durable earnings and

cash flows in the future. And as we've indicated, we think there are significant incremental capital investment opportunities to do just that over both the near and long term, which is why we feel confident in announcing that Oncor's roll forward capital plan is expected to increase by at least 30% over its current \$36 billion base capital plan. Looking forward, we expect to officially announce Sempra's 2026 to 2030 capital plan on our fourth quarter call in February, subject to the completion of Oncor's pending base rate review. Thank you for joining us, and I'd now like to open up the line for your questions.

Operator: [Operator Instructions] And our first question will come from Nick Campanella from Barclays.

Nicholas Campanella: So look, you've done a lot to derisk the balance sheet with the transaction that you announced 5 weeks ago. Obviously, you're talking about this higher CapEx outlook at Oncor. Just with the proceeds that are kind of coming in on a staggered basis, '26 and '27, just how are you kind of viewing balance sheet capacity for this increase? And is it fair to say there should be no equity through '27? Or just how are you kind of thinking about that?

Jeffery Martin: Yes. Thank you, Nick. Let me take the equity question first, and then I'll pass it over to Karen to give more color on the balance sheet. But I would just start on the equity side and just say we're in great shape on this front, right? As you indicated, the proceeds from the SI transaction are expected to eliminate 100% of the common equity that was previously in the 2025 to 2029 financing plan. It also sets us up well as we look to roll the plan forward to 2030, which we expect to discuss in February. But with the proceeds that you talked about being staggered and coming into us in 2026 and 2027, I think one of the key takeaways is we're in a great position to fortify our balance sheet, which Karen will talk about momentarily. We have more work to be done this fall, but Karen and I are committed to maintaining a strong balance sheet to efficiently fund growth. And as we have in the past, Nick, we'll use all the tools we have available to grow the business in a thoughtful way. Now let me turn to the balance sheet briefly. One of the things our management team does from time to time is we spend time discussing how we create a competitive advantage in every market cycle. And in today's market cycle, one of the things that we've identified with our Board of Directors is the importance of maintaining balance sheet strength, and that was a central part of the thesis that was behind the SI transaction and why we're taking a series of steps over the next 12 months to fortress our balance sheet to support the strong growth in our utilities. That is one of the key takeaways today. We're seeing remarkable growth in our utilities, particularly in Texas, and we expect that not just to end Nick in 2030, but to extend well into the middle part of the next decade. And that's why privilege and the balance sheet is so important. And with that, Karen, perhaps she could talk about how you're thinking about next steps.

Karen Sedgwick: Sure. Thanks, Nick. Yes, I think you're looking about it as correct, Nick. We've been working closely with the rating agencies. They're giving us time to complete the SI transaction. And as we update our 5-year plan, we'll look to incorporate the benefits of that transaction. So as a reminder, we expect to get EPS accretion there, deconsolidate SI's debt and improvements to our overall credit. And I'll remind you that we expect to receive improved credit profiles from each of the agencies. So this includes improving our view of our risk profile, our business risk and improved downgrade thresholds. So as I mentioned in our prepared remarks, that we plan to build a solid cushion on our balance sheet, and we'll provide more specifics when we roll out the financial plan next year. But in the interim, we feel really good about where we are and the strategy we've laid out.

Jeffery Martin: Thank you, Karen.

Nicholas Campanella: And then maybe just switching gears to Texas. Just I see the schedule here going through April '26. Hearings are about 1.5 weeks out. Just since we're past testimonies now, is settlement less likely? Is this something that you're kind of still actively working towards? Can you talk to that quickly?

Jeffery Martin: Sure. Allen and his team are doing a great job. I think, for the overall audience, I'd refer everyone to Slide 13 for the procedural references that Nick is referring to. And Allen, perhaps it might be best if you would just briefly talk about where you're at in the proceeding and what you think the next steps are.

E. Nye: Yes. Thanks, Jeff. Where we are, I think, is accurately portrayed on Slide 13, as you all both mentioned, interveners and staff both filed their testimony now. Staff testimony didn't get us all the way

to where we need to be, but we thought it was very constructive. We did file our rebuttal last Friday. We continue to engage in settlement discussions with the parties. And we will continue to engage in settlement discussions with the parties. At the same time, we've got a hearing set for the first -- for November 17, the week of, and we're preparing to go to hearing that week, if necessary. We're really confident in the strength of our case. I'll remind you that we do have an order on interim rates, which becomes effective January 1, 2026. So we'll continue to talk. We'll continue to see what we can get done on the settlement front. And if we're successful, we'll obviously let everyone know. And if we have to go to hearing, we'll be ready to go. We expect an order, as you said, at the second quarter '26.

Jeffery Martin: Thank you, Allen. Appreciate it, Nick.

Operator: Our next question will come from Jude Jordan from Wells Fargo.

Shahriar Pourreza: This is actually Shar on for Jude.

Jeffery Martin: Hey, Shar. Congratulations on the new assignment.

Shahriar Pourreza: Appreciate it. Appreciate the support there. Just real quick on the SIP transaction. Can -- I guess, where do we stand on the leakage there? I mean, I know, obviously, you've got accretion numbers. You're looking at sort of a tax-efficient way to do this. I think you're still assuming around 20%. So what's the status there, I guess?

Jeffery Martin: Yes. I think that that's a good number. We're still looking at that. Obviously, there's some complexity there given the assets we have in Mexico, the international implications, both state and federal, but 20% is still a good number for you to guide yourself to.

Shahriar Pourreza: Okay. Perfect, Jeff. And then just, I guess, the 30% increase, just curious what's included in there? How much of that is awarded 765 kV versus base system needs increasing? And how does that increase kind of stack up against that \$12 billion of prior upsides you called out in 4Q? So just any visibility there would be great.

Jeffery Martin: Sure. Shar, I really appreciate this question because I think it's been one where there's been a lot of ambiguity and a lot of questions we've taken as part of the call. We tried to discuss this in our prepared remarks, but let me go through and provide a couple of reminders, I think, that will be helpful to the listening audience. When Oncor rolled out through 2025 to 2029 capital plan last February, we indicated a base plan of \$36 billion, and you're exactly right, there was a defined set of upsides there of about \$12 billion. With the updates we've had over the last several months, both from ERCOT as well as the PUCT on the 765 kV transmission expansion and early indications within the fall planning process, Oncor is very comfortable increasing their expectations for the base capital plan to increase by about 30%. And here's the key distinction. That's primarily being driven by the state's acceleration of the Permian plan that now needs to be completed early. It has to be done now, Shar, by 2030. The other key thing to note is that Oncor also has line of sight to additional upside. You remember the upside was previously about \$12 billion we're now targeting something that's substantially similar. So Shar, when you put that together, the base plan increase and expected upside, Oncor will have a \$55 billion to \$60 billion capital opportunity through 2030. And I might just add for context that in our 2025 to 2029 plan for Sempra, we currently sit at \$56 billion. So if you just take the midpoint of that expectation, the roll forward base plan and upside is bigger than Sempra's current 5-year plan. So the key takeaway from this call is, yes, we've had great financial results, I feel great about 2025 and the pull-through in the 2026. But we've made a commitment to back Texas, right? And to do that, with our Board of Directors, we launched a capital recycling program because we wanted to load our balance sheet, so we were in a position to officially fund the growth we're seeing in the future. And I think Allen and his team have come forward with some very solid numbers, and we look forward to giving you more specifics on that in February.

Operator: Our next question will come from David Arcaro from Morgan Stanley.

David Arcaro: Well, I guess I was curious now on the as you look at that Oncor load growth pipeline continues to chuck a lot and grow quarter-by-quarter. I guess I was just wondering if you could characterize. Like what is the maximum amount of new load that you could connect, if we're thinking about kind of the 2030 time frame? Are you full on data center activity? I mean how much could that actually increase as you look at the pipeline in order to feather it in or weave it in to even further enhance the load growth from here?

Jeffery Martin: Yes. Let me do a couple of things here, and I'll provide some color, Allen, and I'll pass it

to you to kind of walk through kind of summing up the numbers. But let me just start with what we've discussed in the past, David. We've indicated that the state of Texas has a coincident peak of about 86 gigawatts, okay? That's a historical record. Today, Oncor system peaks at about 31 gigawatts. And on the last quarterly call, Oncor indicated that they had line of sight at least to approximately 39 gigawatts. So between now and the end of the decade, they are very comfortable that they're going to double their load. What's interesting about the CapEx increase that they're now forecasting, it's really less about that, it's more about the acceleration of the transmission plan. So the key takeaway is you don't need to associate Oncor's growth as it's been announced today, with what might or might not happen relative to load growth. It is principally being driven by the state's desire to accelerate supporting the oil and gas industry and getting an expanded transmission grid in place in the western part of Texas. Now that being said, the team has done a great job of tracking what those new opportunities are. And the way to think about your question as Allen goes through it is what we're going to talk about in terms of potential load growth and how much to your language can be feathered onto the system, it's really driving our growing confidence in this story continuing well into the middle part of the next decade. So with that, Allen, maybe you could kind of talk about the different buckets of where you see growth are. And really, to David's point, where this quarter-over-quarter growth is coming from?

E. Nye: Yes. Thanks, Jeff. Thanks, David. Growth remains incredibly strong. I think you've heard that multiple times this morning from kind of this load growth on the transmission side, these large industrial commercial customers. I think as Karen said, we have over 600 active requests now, that's up 60% since the same time last year, third quarter over third quarter. 210 gigawatts of data now versus 186 last quarter, an increase of about 13% and 16 gigawatts of other non-data LC&I customers. What's different this time and what Jeff was alluding to is we typically go through a process with these customers where we come up with a high confidence load number. And I talked about this the last couple of quarters. But we've had, as Jeff said, around 39 gigawatts of what we call high confidence load and that's made up of, in the past, 9 gigawatts of signed FEAs or interconnection agreements and 29 gigawatts that we submit an officer letter to ERCOT if those customers meet kind of 6 criteria that we lay out for them. And -- but we don't sign those FEAs until studies are complete and ERCOT has approved the interconnection. In order to try and get more visibility into this massive queue that we're talking about, we've kind of done something different over the last few months. And that is in addition to doing just a typical FEA process, or interconnection agreement process, we've instituted what we call the interim FEA process. And the interim FEA process is not a full FEA, the studies aren't done, ERCOT has not approved the interconnection, but what these interim FEAs do is the customers collateralize them. They give us about \$6.5 million when we sign these things. The customer also provides us additional information that allows us to then begin or proceed with the studies we need to do that ultimately need to be approved by ERCOT. Very, very strong uptake; very, very strong interest in this interim FEA process. To date, we've signed up about 19 gigawatts pursuant to this interim FEA process. And I can tell you that interest in signing these is very high. The number will change by the next time we talk about it. Now a couple of caveats. It's not clear how ERCOT will view these interim FEAs versus the FEAs themselves. And obviously, with the SB6 rule-makings going on, it may alter the criteria that we ultimately need to use for this process. But I can tell you that in addition to the numbers I've already told you, I think I mentioned on past calls that when I got this job, we had about \$200 million of collateral that we were holding and that had moved up to about \$2 billion as of last quarter related to these activities. As of now, that collateral that we hold is up around \$2.7 billion. That gives you a general indication of the uptake on this new process that we're using.

David Arcaro: Excellent. Yes, makes sense. And then pivoting maybe a little bit. With strong earnings this quarter and now year-to-date, curious if you could comment how that positions you in terms of achieving the 2025 guidance? And maybe as you look forward to 2026, are you seeing opportunities for expenses to be pulled forward or other initiatives to give you a head start on that 2026 earnings outlook?

Jeffery Martin: Yes, David, thank you for that question. I mentioned this in my prepared remarks. I'm just so pleased with the work of our team, and we spent a lot of time trying to make sure that we've got a common set of business objectives across our 22,000 employees and that's certainly showing up in the strong financial performance we've seen thus far for the year. So for 2025, I'd mentioned, we're

tracking several regulatory matters, and we're pleased to be running well ahead of our financial plan for the year. That's why earlier today, David, we were comfortable affirming our 2025 guidance. And I would also mention that we believe we can finish in the upper half of that range. Turning to 2026. We also affirmed that guidance. Obviously, it's going to be a stub year because we expect to close the SI transaction sometime between Q2 and Q3. But I would just mention, we're in the middle of our fall planning process right now and still tracking several key items. Obviously, the SI closing with KKR as well as the base rate review that Allen just updated you folks on a few minutes ago. So our goal at this point is to review both 2026 and 2027 guidance with The Street at our February call, together with rounding out our full year results for 2025. So I think the summary point here is I'm really excited about the progress we've made in 2025. We feel great about 2026, and we're excited to get back in front of folks in February and provide guidance for 2027.

Operator: Our next question will come from Carly Davenport from Goldman Sachs.

Carly Davenport: Maybe just on the transmission expansion in Texas that you've referenced. One of your peers came out this morning with plans to expand manufacturing for transformers and breakers. Just kind of curious what you're seeing from an equipment and supply chain standpoint and how you feel about execution on growing capital plan?

Jeffery Martin: Yes. I mean I really want to give credit to Allen and his team here and Allen, I'll let you talk about it in a second. But going back to the pre-COVID days and being part of the boardroom, and seeing Allen layout kind of this 11-point plan for growing that business, the supply chain has been front and center. In fact, Carly, in September, we took the Sempra Board of Directors to Dallas. And the #1 issue we wanted to talk about was their ability to deliver on their growth plans and the strength of their supply chain. We also had the benefit, Carly, to have Governor Abbott kind of join the Sempra Board in a private 3-hour dinner, as we continue to due diligence the growth case in Texas. And one of the things we did was we took the entire Board on a field visit to their Midlothian supply center. And this is an Amazon-like supply center. Hopefully, we can start hosting some investors there in the future, but they have a hub-and-spoke model across North Texas and that Midlothian center, which is about 45 minutes from Downtown Dallas, really is a state-of-the-art 21st century digitally driven warehouse center that not only supports their supply chain across the 5-year plan, it is the center of their storm recovery system. So we came away from that incredibly impressed with the work that's gone into it. And now, Allen, maybe you can provide a little bit more detail around what you've done to feel good about delivering on your 5-year plan.

E. Nye: Yes, thanks for the question, Carly. I think Jeff did a pretty good job describing it. We started about 8 years ago fortuitously redoing our supply chain, redoing our logistics, adding the Midlothian facility, expanding the number of vendors for each type of product that we need and that has paid incredible dividends for us moving forward. I've said on past earnings calls that we had with regards to the prior plan, our current plan, everything we need to accomplish that 5-year plan. Nothing about that has changed. Look, every day, you got to stay vigilant on it. Our people work very hard to stay very close to our vendors and our suppliers. You got to deal with challenges. It doesn't mean I have every piece of equipment in a laydown yard somewhere, but it means I've gotten in some way line of sight either a contract or a commitment or an agreement for everything we need. We'll stay vigilant all that. We'll keep working on it, but we're extremely confident. We made a commitment to the state to complete the Permian plant by 2030, and we have every intention of doing so, together with all the other activities we have on our system.

Jeffery Martin: Allen, you did -- one of the things you guys did, which I thought was really helpful was how you went out in the marketplace, both in Asia and Europe to taking care of the 765 equipment well before it became something that crystallized for the state. Can you briefly update the audience on that?

E. Nye: Yes, we did exactly what Jeff is talking about. I mean we've been very blessed in that our Board and our shareholders have given us authority in advance of actually approval of plans, of financial plans, 5-year plans and 1-year plans, to go out and make commitments in order to be in a position to actually execute and we did exactly what Jeff is talking about with regards to the 765 step plan.

Carly Davenport: Great. Super helpful. And then maybe just shifting gears a bit on -- just on California, curious as sort of the Phase 2 process kicks off, how you sort of envision Sempra's involvement there and perhaps any perspective that you'd share on the potential -- what potential solutions could look

like?

Jeffery Martin: Sure. I would just start by saying that Sempra has been very engaged in Sacramento on trying to find ways to improve public policy to support public safety. I got to give a lot of credit, Carly, to Governor Newsom, he has been out front and kind of leading this effort. He's made it a priority. It goes well beyond just serving electric customers. It's about making sure that the state of California continues to take steps that are progressive and thoughtful to reduce risk from a public safety standpoint. We have Caroline Winn with us today. She heads up, you may recall, both San Diego Gas Electric and SoCalGas and she has been front and center on the next steps on the study bill. And perhaps Caroline, you could share your thoughts on the study bill.

Caroline Winn: Yes, be happy to. Earlier this week, the utility submitted a series of abstracts. The way to think about the abstracts is their problem identification statements that really frame the issues and it will inform the white papers due next month. Maybe I'll just note 4 areas of focus. One, we believe a shared risk model through new cost-sharing approaches needs to be looked at. Number two, new insurance and funding structures. Number three, enhancing the process for paying claims quickly and fairly for wildfire victims and fourth, maintaining affordability and accountability. Now these abstracts will form the foundation of, as I mentioned, the joint white papers next month, December 12, and will help inform the comprehensive report prepared by the California Earthquake Authority next April. I think the key takeaway here is that we believe that wildfire resiliency must be a shared responsibility between utilities, insurers, government and communities, and we're constructive on the effort to identify new models that will address wildfire risk across the state for decades to come.

Jeffery Martin: Thank you, Caroline. The only thing I would add, Carly, to is and I tell folks this, but California is the fourth largest economy in the world, right? This is the home of technology and innovation. And this is just really a leadership opportunity here at the state level. And I think from Sempra's perspective, we're prepared to roll our sleeves up and do our part. But we're comfortable that we'll find a way between now and the next legislative session to take the next step to continue to derisk the state.

Operator: Our next question will come from Sophie Karp from KBCM.

Sophie Karp: On California, I guess, as you continue to emphasize Texas more in your capital plan and you see a lot of growth there. Could there be a more decisive step to deemphasize California or maybe through some strategic options for your California utilities?

Jeffery Martin: Well, look, I think -- and you're asking a great question. One of the things we've done with our Board of Directors is take a step back and say, where can we allocate capital over the next 5 years to create the most equity value, the most long-term value for our shareholders by 2030? And I think our analysis points to making sure that we load capital in areas where we have the best risk/reward. And right now, we think that's Texas. But look, these things change from time to time. One of the things we're working on in the Texas market. As you recall, they have a relatively thin equity layer compared to other jurisdictions. And California is actually a very good complement because it allows Oncor to have -- its principal shareholder have a strong balance sheet, which we think is important to support its growth. We continue to have the largest natural gas utility in the Western Hemisphere, is here in California and that tends to have a 23% or 24% FFO to debt quality. It's a very important for overall credit stack within Sempra. We're a leader in our electric business here in California. So we're going to be thoughtful about allocating capital to make sure we minimize bill impacts. We have found religion, and we're working very, very hard to take cost out of the system in California to make sure that as we grow the business, it minimizes impacts on customers. But look, we have a strong leadership position in the State of California and very few companies in the United States have the leadership position we have in Americas 2 biggest economies. So California will always be an important part of Sempra, but it's really a very nice complement from the diversity of the investments here and the credit quality matched up with what we're trying to grow in Texas.

Operator: And we have time for one last question today. And our last question will come from Julien Dumoulin-Smith from Jefferies LLC.

Julien Dumoulin-Smith: Saved the best for last. There we go. I appreciate it. Let me try to wrap this up. So a couple of questions here. First on Oncor, well kudos. If I heard you right, \$55 billion to \$60 billion, well in excess of 30%. What's your confidence on being able to earn the ROEs at that level, just given

that cadence of spend is pretty historic? I get the recent legislation. And then related just coming back to where we started the call on equity needs. At what point do you start to think about equity as being part of this? Because I would suspect that we're going to talk about this in a renewed fashion, just given the magnitude that we're discussing here, if you don't mind.

Jeffery Martin: Well, let's do a couple of things. I'm going to start with talking about the \$55 billion to \$60 billion. Just remember, that's the roll forward of the base capital plan of \$36 billion, and we're going to increase that by about 30%, Julien, and you can do the back envelope that's between \$10 billion and \$11 billion. And we're expecting a comparable number that will remain there in the upside. The upside we talked about before is still there. It's a very similar number. And that's how I got to this potential capital deployment, which we think is a real opportunity, by the way, between \$55 billion and \$60 billion. We're very excited about it. And the great news was, as I indicated earlier, we planned for this, right? We led a capital recycling program to fortress our balance sheet so we can fund this thing efficiently. Turning to your second question, which was on the ROE topic. You recall that they currently have an authorized ROE of 9.7%. And Julien, they have been under-earning that for 2 principal reasons over the last several years. Number one, there was this regulatory lag. The majority of that is resolved as part of the unified tracker mechanism. You've heard us reference several times today, we're starting to see material improvement in capital efficiency. So part of that under earning is being taken away by the UTM. And then secondly, part of that under-earning is associated with having a 2021 test year. Obviously, when the base rate review is resolved, their new test year will be 2024. So the state because it has a backwards test year, you don't really expect them to earn at the 9.7% level. And certainly, they're not authorized to ever earn over that like we are in California. But I think you're going to see a material improvement when we resolve both of those matters. And that's one of the reasons Sempra has been more willing to aggressively fund this business as part of our long-term plan. And then I think if I could tackle your third implied question, which was on capital and balance sheet. Look, there's nothing wrong with issuing equity, right? If you're thoughtful about using all the tools in your toolbox, if you look at Sempra, you recall from prior presentations, we've raised \$15 billion from equity sales at Sempra Infrastructure since 2021. We're not reticent to find the most cost-effective way to fund growth. And at the same time, Julien, the great secret at Sempra is since 2017, we've gone from about \$14 billion of rate base to a number that's over \$60 billion and we're going to drive that well over \$90 billion or \$100 billion by the end of the decade. We are growing a remarkable utility within Sempra. So we will use equity as we need it. But the great news is we took equity off the table in the prior plan. We're going to load the balance sheet. We're going to maintain cushion. And what we're going to expect to do is as we go forward in that plan depending upon how our capital rolls out, we would certainly issue equity if we thought it was necessary. But remember, we're going to compete that against all the other options we have inside of Sempra. And if you followed us for a long period of time, I think that's been our track record.

Julien Dumoulin-Smith: That's excellent. And let me put a capper on this. I mean it's been a phenomenal year, Jeff, in terms of turnaround here. I mean, truly, the 7% to 9%, right? You put this all together. Clearly, this wasn't contemplated when you articulated that 7% to 9% earlier. How do you think about the various pieces that go into this, right? Clearly, there's a little bit of equity offset or some other permutation that will dilute the upside here. But what are the other puts and takes? Because otherwise, it seems pretty meaningful relative to what you said previously.

Jeffery Martin: Yes. Well, you remember, I talked about that 7% to 9%. We didn't put it in writing at the time, but I said it orally on the February call or the Q4 call. I think one of the things we've discussed as a management team before this call, Julien, is we remain bullish on our growth prospects. And that's why we came out today and obviously reaffirmed the long-term growth rate. But I would also kind of highlight some of the points you're making in terms of puts and takes. Let's start with Oncor. I talked about seeing improved capital efficiency there, and that's having a positive impact on their returns. And obviously, we're going to increase our capital program. Go over to Sempra infrastructure. We've improved the runway, Julien, of their growth by basically taking FID on Port Arthur Phase 2. One of the things that Justin feels really great about is, he's got 5 or 6 very significant construction projects that give us great EBITDA growth through the end of the decade. And now with Port Arthur Phase 2, you've got great visibility into the early part of next decade. And then we've talked about, and Karen did a good

job in her prepared remarks, talking about the KKR transaction. Obviously, we think it's going to be accretive to credit and EPS, while allowing us to deconsolidate debt at SI. And again, it goes back to balance sheet. We see our balance sheet as a strategic resource to grow this business in the future. So I think our takeaway would be: The team has done a great job, as you highlighted kindly, by the way, this year of stacking a series of positive catalysts in front of our company. And to your point, it really gives us more support for what we think is a great long-term outlook.

Julien Dumoulin-Smith: Excellent. Well, maybe with that, we'll leave it. Very curious to see what you guys have to say. Take care all the best, and we'll talk to you sooner now.

Jeffery Martin: Thanks a lot, Julien.

Operator: Thank you. That concludes today's question-and-answer session. At this time, I'd like to turn the conference back to Jeff Martin for any additional closing remarks.

Jeffery Martin: Well, I'd like to just start by thanking everyone for joining us today. I know there were a number of competing calls this morning, so we appreciate everyone making the time to join us. I think it's a final point, many of you likely saw Oncor's recent 8-K announcing the retirement of Jim Greer. We want to make sure we take a moment and recognize his many years of service and major contributions to the growth and success of Oncor. In his role of COO, Jim Greer made a lasting mark on the State of Texas. I also think congratulations is in order for Ellen Buck, who will be succeeding Jim. Ellen is an absolutely outstanding leader, and we look forward to supporting her future success. And finally, I'd like to congratulate our friend, Don Clevenger, on a well-deserved promotion to Executive Vice President as he continues in his role of Oncor's CFO. If there are any follow-up items, please reach out to our IR team with your questions, and we look forward to seeing many of you at EEI in Florida next week. This concludes our call.

Operator: Thank you for your participation. You may now disconnect.