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A History of Sempra

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Introduction

Every enterprise, from the fledgling startup to the multinational conglomerate, possesses a unique narrative—a chronicle of ambition, innovation, and adaptation. Some stories, however, resonate with a particular significance, reflecting not only the trajectory of a company but also the evolution of an entire industry and the broader economic landscape. This book embarks on such a journey, delving into the rich and multifaceted history of Sempra, a company whose enduring presence in the S&P 500 stands as a testament to its strategic vision and operational resilience. From its foundational roots in the vibrant energy sector to its current standing as a global energy infrastructure company, Sempra's story is one intricately woven into the fabric of modern power, a narrative that illuminates the profound shifts and persistent challenges that have shaped how we fuel our world.

At its core, this book is an exploration of the forces that have propelled Sempra through more than a century of change. It is a story of strategic mergers and bold expansions, of navigating complex regulatory environments and pioneering technological advancements. We will trace the company's genesis, understanding the early decisions and formative influences that laid the groundwork for its eventual prominence. From serving the vital energy needs of California to venturing onto the international stage, Sempra's growth mirrors the increasing interconnectedness of global energy markets and the relentless pursuit of new opportunities. This journey is not merely a dry recitation of corporate events, but rather an endeavor to understand the motivations, the risks, and the triumphs that have defined Sempra's identity.

To truly grasp Sempra's impact, one must appreciate its dual role as both a foundational utility service provider and a forward-thinking energy infrastructure developer. The chapters ahead will illuminate Sempra's enduring commitment to powering communities, exploring its legacy in providing reliable electricity and natural gas. Simultaneously, we will examine the company's pivotal role in the ongoing energy transition, detailing its investments in renewable energy, its strategic reliance on natural gas as a core asset, and its proactive approach to building resilient energy systems for the future. This dual focus highlights a company that has consistently adapted to meet contemporary demands while simultaneously anticipating and shaping the energy landscape of tomorrow.

Beyond the balance sheets and operational statistics, "A History of Sempra" seeks to uncover the human element that has driven its success. This includes the myriad leaders whose vision guided the company through periods of immense change, the employees who have dedicated their careers to its mission, and the communities it serves. We will explore Sempra's approach to corporate responsibility, its engagement

with stakeholders, and its responses to the crises and challenges that inevitably arise in a dynamic industry. Understanding these dimensions provides a more complete and nuanced portrait of an organization that is, at its heart, a collective endeavor.

The narrative arc of Sempra also offers valuable insights into broader economic and industrial trends. Its journey into the S&P 500—a benchmark of corporate excellence—is itself a story of sustained growth, market impact, and financial acumen. By examining the company's financial fortunes, its major acquisitions and divestitures, and its continuous embrace of technological transformations, readers will gain a deeper understanding of the forces that drive success in the modern energy sector. Furthermore, Sempra's proactive strategies for adapting to climate change and its vision for global energy transitions underscore its relevance in an era defined by environmental imperatives and evolving energy demands.

Ultimately, "A History of Sempra" is an invitation to explore the intricate tapestry of a company that has not only shaped the energy sector but also reflected the broader socio-economic developments of its time. It is a story of continuous evolution, strategic foresight, and unwavering dedication to meeting the world's energy needs. By delving into the past, present, and future of Sempra, this book offers a comprehensive and engaging account of an S&P 500 company whose legacy continues to endure and profoundly impact the energy landscape on both a local and global scale.

CHAPTER ONE: The Genesis of an Energy Giant

The story of Sempra, an energy infrastructure giant with a global footprint, officially begins in 1998, a year that marked the culmination of over a century of development in the Californian energy sector. It was then that Pacific Enterprises, the parent company of Southern California Gas Co. (SoCalGas), merged with Enova Corporation, the parent company of San Diego Gas & Electric (SDG&E). This pivotal merger brought together two long-established and highly respected investor-owned utilities, creating a new entity poised for significant growth and influence in the evolving energy landscape. The combined strengths of these foundational companies laid the groundwork for Sempra's future as a diversified energy leader.

However, to truly understand the genesis of Sempra, we must delve into the individual histories of its two primary predecessors: Southern California Gas Company and San Diego Gas & Electric. Their separate journeys, marked by innovation, adaptation, and a steady commitment to serving growing communities, ultimately converged to form the bedrock of the modern Sempra. These stories are deeply intertwined with the development of California itself, reflecting the state's rapid population growth and increasing energy demands.

Southern California Gas Company: A Legacy Forged in Flame

The roots of Southern California Gas Company stretch back to a nascent Los Angeles in 1867. In that year, the Los Angeles Gas Company, which would become the forerunner of today's SoCalGas, embarked on a mission to illuminate the city. Five enterprising individuals started by installing 43 new gas lamps along Main Street, manufacturing gas from asphalt and later from oil. This initial venture brought a new form of light to a burgeoning frontier town, signifying a crucial step in its modernization.

The early days of the gas lighting business, while promising, soon faced a formidable challenger: Thomas Edison's electric light, introduced in 1879. The arrival of electricity cast a shadow of uncertainty over the future of gas lamps. Resourceful as ever, the company began exploring alternative uses for gas. This adaptability led to the introduction of Los Angeles' first gas stove and heater, demonstrating an early pivot that would prove essential for the company's longevity.

The late 19th century saw a period of consolidation in the burgeoning energy sector. In 1886, Pacific Lighting Company was founded in San Francisco by C.O.G. Miller and Walter B. Cline. These entrepreneurs, recognizing the potential in the utility business, began acquiring smaller gas manufacturing and distribution companies. Their

expansion efforts soon turned south, and in 1890, Pacific Lighting purchased the Los Angeles Gas Company. This acquisition was a significant step, as it brought the early Los Angeles gas operations under a larger corporate umbrella.

Pacific Lighting's influence in Southern California grew steadily. In 1889, it acquired three Los Angeles-area gas and electric firms, which were then consolidated into a subsidiary called the Los Angeles Lighting Company. The company's focus remained primarily on the Los Angeles area for many decades, supplying gas and lighting to the rapidly expanding city. Despite facing competition from numerous smaller utilities in the 1890s, Los Angeles Lighting made crucial improvements to the gas system and strategically lowered prices, while also diversifying its offerings by selling coal and gas-powered appliances to stimulate demand.

The early 20th century brought further growth and consolidation for Pacific Lighting. In 1904, it combined its Los Angeles lighting and electric operations to form the Los Angeles Gas and Electric Company (LAG&E). The period following the 1906 San Francisco earthquake also saw a migration of people to Los Angeles, contributing to a tenfold increase in Pacific Lighting's gas sales between 1896 and 1906. In 1907, Pacific Lighting Company officially incorporated and changed its name to Pacific Lighting Corporation.

A major turning point for the gas industry came with the widespread availability of natural gas. By the 1920s, Pacific Lighting and its subsidiaries made the crucial transition from manufactured gas to the more efficient and less expensive natural gas. This strategic shift led to both lower gas rates for consumers and a significant increase in gas consumption. By 1930, Los Angeles had become the leading city in the United States for natural gas consumption, with Pacific Lighting providing gas to half of California's population and serving nearly two million people as the nation's largest gas utility. Pacific Lighting continued to expand its gas operations, acquiring control of the gas distribution systems of Southern Counties Gas in 1925, Santa Maria Gas Company in 1928, and Southern California Gas in 1929.

While Pacific Lighting initially engaged in the electric utility business, including acquiring a controlling interest in Los Angeles Electric Company in 1890, it eventually divested these operations. The company sold its electric properties to the city of Los Angeles in 1937 for \$46 million. This allowed Pacific Lighting to focus on its core gas utility business, which continued to thrive, expanding conservatively into regions that could be served by existing gas generating plants. In 1965, Pacific Lighting restructured its pipeline subsidiary, changing its name to Pacific Lighting Service and Supply. The company moved its headquarters from San Francisco to Los Angeles in 1967. Just three years later, in 1970, Pacific Lighting received regulatory permission to merge Southern California Gas and Southern Gas into a single entity, which became the Southern California Gas Company, or SoCalGas, as we know it today. SoCalGas would grow to become the largest natural gas distribution utility in the United States,

serving approximately 22 million consumers across a vast territory in Southern California.

In 1988, Pacific Lighting Corporation underwent another significant transformation, changing its name to Pacific Enterprises. This rebranding reflected the company's diversification efforts, which had begun in the 1960s with ventures into oil and gas exploration and later into retail with the acquisition of Thrifty Corporation. However, the utility business, particularly through SoCalGas, remained a central and vital part of Pacific Enterprises' portfolio.

San Diego Gas & Electric: Powering the Southern Frontier

The other crucial component of Sempra's origin story is San Diego Gas & Electric (SDG&E), a utility whose history dates back to 1881. On April 18 of that year, five San Diegans formally established the San Diego Gas Company. Their initial aim was to bring gas service to the relatively small but growing city of San Diego, which at the time had a population of just over 3,000 residents. The company quickly set about constructing an oil gas manufacturing plant and laying three miles of gas mains, with service commencing on June 2, 1881, to 89 initial customers.

Just as in Los Angeles, the advent of electric lighting soon followed. San Diego saw its first incandescent lighting in 1888, provided by a small plant that powered the city's first electric streetcar. However, the initial electric ventures faced financial difficulties. In 1905, the struggling San Diego Gas and Electric Light Company was sold to a Chicago firm, H.M. Byllesby & Company, and subsequently renamed San Diego Consolidated Gas and Electric Company. This acquisition infused much-needed capital and expertise into the utility, which at that point served a modest 3,426 customers.

Under new ownership, San Diego Consolidated Gas and Electric Company embarked on a period of rapid growth. The company secured a monopoly on gas and electric services for San Diego and its surrounding suburbs. It expanded its infrastructure, building its first principal electric generating plant, Station B, in 1910. The number of electricity customers surged from just over 2,200 in 1906 to more than 14,000 by 1912, while gas customers quadrupled in the same period. This growth propelled sales past the \$1 million mark for the first time in 1912, and then to over \$2 million by 1918.

Similar to its Northern California counterpart, San Diego's gas service underwent a significant upgrade in 1932, transitioning from manufactured gas to natural gas with the construction of a pipeline connecting San Diego to the natural gas fields in the Los Angeles area. This move brought greater efficiency and affordability to its customers. The oil gas plant was maintained as a supplement until 1950.

A change in federal law, specifically the Public Utility Holding Company Act of 1935, mandated that Standard Gas & Electric Co., which had acquired San Diego

Consolidated, divest its utility holdings. As a result, in 1940, San Diego Consolidated Gas & Electric Company changed its name to San Diego Gas & Electric Company and became publicly owned. This marked its independence and local management, paving the way for further expansion.

The post-World War II era saw considerable growth in SDG&E's service area, with the population reaching 620,000 by 1949. To meet this increasing demand, SDG&E continued to expand its generating capacity, installing additional units at its Silver Gate plant and commencing work on a new generating station in Encino, California. The company's first turbogenerator came into service in 1954. Later, in 1961, SDG&E entered into a partnership with Southern California Edison to participate in the development of the San Onofre Nuclear Generating Station (SONGS), owning 20% of the plant which became operational in 1967. By 1998, SDG&E was providing electricity and natural gas to approximately 3.7 million people across a 4,100-square-mile area in San Diego and southern Orange counties.

In the years leading up to the merger, SDG&E also navigated the initial phases of California's electricity deregulation in 1998, implementing a "Direct Access" program that allowed customers to purchase electricity from third-party providers. This period of evolving market structures set the stage for the dramatic shifts that would characterize the energy industry in the years to come.

The Confluence: A New Energy Enterprise Emerges

The late 20th century saw a confluence of factors that encouraged consolidation within the utility sector. Both Pacific Enterprises, with its robust natural gas distribution through SoCalGas, and Enova Corporation, the parent of the integrated electric and gas utility SDG&E, recognized the strategic advantages of a merger. The idea was to create a larger, more diversified energy services holding company that could leverage economies of scale, enhance operational efficiencies, and better navigate the increasingly complex regulatory and market environments.

The merger of Pacific Enterprises and Enova Corporation was officially completed on June 29, 1998, giving birth to Sempra Energy. The name "Sempra" itself is derived from the Latin word for "always," a symbolic choice reflecting the company's ambition for enduring presence and service in the energy sector. Headquartered in San Diego, California, the newly formed Sempra Energy immediately became a formidable player in the North American energy market.

At its inception, Sempra Energy boasted the largest regulated utility customer base in the United States, serving approximately 21 million consumers across 27,000 square miles in Southern California. The combined entity inherited the rich histories and established infrastructure of SoCalGas and SDG&E, providing a solid foundation in both natural gas and electricity distribution. With a market value estimated at \$6.2

billion on its founding day, Sempra's financial base was strong, setting a positive trajectory for its future.

The formation of Sempra Energy represented more than just a corporate restructuring; it was a strategic alignment designed to meet the evolving energy demands of California and beyond. By bringing together two historically significant utilities, Sempra was positioned to offer a broader range of energy-related products and services, harness innovative solutions, and effectively manage the wholesale commodity trading and risk associated with a dynamic energy market. The genesis of Sempra was, therefore, a forward-looking move, laying the groundwork for its subsequent growth into a multifaceted energy infrastructure company.

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