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# Sempra Energy

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## Introduction

Sempra Energy's story is woven into the broader tapestry of American industrial evolution and the transformation of the energy sector in the 21st century. Founded in 1998 from the merger of two historic California utilities, Sempra has grown to become a commanding presence in North American energy, profoundly influencing how millions of people and businesses access natural gas and electricity every day. At its heart, this book captures not just the facts or milestones, but also the vision, challenges, and remarkable adaptation that define Sempra's journey from its roots to its present standing as a Fortune 500 company.

For over a century, the utilities that would eventually unite as Sempra played pivotal roles in Southern California's growth—connecting homes and industries to the power and fuel that built cities and economies. The merger of Pacific Enterprises and Enova Corporation was not merely a business transaction; it represented the blending of two traditions of innovation, service, and resilience. As Sempra, this company quickly looked beyond its regional base, seeking opportunities in new geographies and markets. From early ventures into South America to trailblazing LNG terminals on both sides of the U.S.-Mexico border, Sempra distinguished itself as a company unafraid to seek new horizons.

The 21st century brought rapid change to the global energy landscape. Sempra's response was to strategically refocus, divesting non-core assets and doubling down on critical infrastructure in North America, notably in California and Texas. This disciplined approach positioned Sempra to capitalize on the growing demands for reliability, safety, and cleaner energy sources. With the formation of Sempra Infrastructure and major investments in natural gas, LNG, and low-carbon technologies, the company became a central player in connecting continents and communities through modernized energy networks.

But Sempra's story is about much more than business growth and financial performance. It is also a narrative about commitment to sustainability, community, and innovation. Guided by visionary leadership, Sempra has developed an integrated business strategy that seeks to provide reliable and affordable energy while advancing the transition to a cleaner, decarbonized future. The company's efforts in supporting local communities, engaging stakeholders, and pioneering green solutions place it at the forefront of corporate responsibility in the energy sector.

Through opportunities and setbacks—including regulatory challenges, market fluctuations, and the pressure of public scrutiny—Sempra has constantly strived to adapt, evolve, and lead. As the energy landscape continues to shift, with new

technologies and changing societal expectations, Sempra's story provides a lens through which to understand not only the evolution of an American company, but also the transformation of the industry itself. The chapters that follow aim to tell the rich and nuanced story of Sempra's past, present, and the road ahead—exploring how this company's trajectory reflects the enduring quest to power progress across generations.

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## **CHAPTER ONE: The Genesis of Southern California's Energy Landscape**

The story of Sempra Energy, and later simply Sempra, is inextricably linked to the burgeoning growth of Southern California in the late 19th and early 20th centuries. Before the gleaming high-rises and sprawling suburbs, this region was a frontier, brimming with potential but lacking the foundational infrastructure to support widespread development. It was here, amidst dusty streets and nascent communities, that the predecessors of Sempra first began to lay the groundwork for a modern energy system.

In the mid-19th century, gas lighting was a marvel, a significant step beyond candles and oil lamps. The illumination it provided transformed urban nights, making them safer and more conducive to commerce and social life. This newfound demand for manufactured gas paved the way for entrepreneurial ventures in burgeoning Californian cities. These early gas companies, often small and localized, were the pioneers of what would eventually become massive utility networks.

One such pioneering enterprise was the Los Angeles Gas Company. Established in 1867, this company marked a significant milestone in the history of Los Angeles. Its initial undertaking involved the installation of 43 manufactured gas lamps along Main Street, a modest yet revolutionary act that brought a new level of safety and vibrancy to the downtown area. The gas for these lamps was produced from asphalt, a tar-like substance, and later from oil, highlighting the resourcefulness of early industrialists in harnessing available materials.

However, the rapid pace of innovation meant that the nascent gas lighting business soon faced a formidable challenge: Thomas Edison's introduction of the electric light in 1879. This invention cast a long shadow over the future of gas lamps, prompting gas companies to reconsider their purpose and explore new applications for their product. It was a classic moment of technological disruption, forcing a pivot from one primary use to another.

Necessity, as they say, is the mother of invention. With the gas lamp's future uncertain, the Los Angeles Gas Company began to explore alternative uses for gas. This strategic shift led to the introduction of the city's first gas stove and heater, effectively diversifying the company's offerings and securing its relevance in a changing energy landscape. This adaptability would become a recurring theme in the history of the utilities that would eventually form Sempra.

Meanwhile, in the equally ambitious city of San Diego, a similar narrative of entrepreneurial spirit was unfolding. On April 18, 1881, five local businessmen gathered to establish the San Diego Gas Company. At this time, San Diego was a small city with a population of just over 3,000, but its founders had a clear vision for its future. Within a mere 58 days, the company completed the construction of its gas plant and laid three miles of mains, a testament to the urgency and drive of these early infrastructure builders. On June 2, 1881, the San Diego Gas Company commenced operations, providing gas to its initial 89 customers.

The late 1880s witnessed a land boom in Southern California, leading to a rapid increase in San Diego's population and, consequently, a surge in demand for gas services. This growth spurred the San Diego Gas Company to consider enlarging its plant in December 1886. The burgeoning demand also led to further consolidation and organization within the nascent utility sector. In March 1887, the San Diego Gas, Fuel & Electric Light Company was organized, acquiring the franchises of the San Diego Gas Company and the San Diego & Coronado Gas & Electric Light Company.

This new entity, San Diego Gas & Electric Light Company, incorporated in May 1887, effectively became the successor to the original San Diego Gas Company, with the initial owners retaining control. The focus of these early companies was clear: to provide essential gas and, increasingly, electric services to a rapidly expanding populace. The electric light, though a threat to gas lighting, also presented a new opportunity for growth and diversification.

Across the region, the demand for both gas and electricity continued to climb. In San Francisco, another pivotal player emerged in 1886 with the establishment of Pacific Lighting Company by C.O.G. Miller and Walter B. Cline. Their initial foray into the energy business involved renting newly invented Siemens gas lamps to businesses. Soon, they expanded their operations into Southern California, recognizing the immense potential for growth.

Pacific Lighting Company's strategy involved acquiring existing gas manufacturing and distribution companies. In 1889, they shifted their primary focus to the Los Angeles area. A significant acquisition came in 1890, when Pacific Lighting purchased the Los Angeles Gas Company, effectively bringing together two key players in the region's energy development under one umbrella. This acquisition marked a critical step towards the formation of Southern California Gas Company (SoCalGas).

By the turn of the 20th century, natural gas, a cleaner and more efficient fuel, began to gain prominence. The discovery of the Buena Vista Oil Field near Taft, California, in 1909, with its substantial reservoir of natural gas, proved to be a breakthrough for the industry. This abundance of natural gas prompted a significant shift for companies like those under the Pacific Lighting umbrella. They embarked on the ambitious task of

converting their systems from manufactured gas to natural gas and constructing extensive pipeline networks across the state.

This transition was a monumental undertaking, requiring considerable investment and engineering prowess. The goal was to meet the ever-increasing demand for this superior fuel. By the 1920s, to manage fluctuations in supply and demand, the company began storing natural gas in large holding tanks. This early embrace of natural gas and the development of robust distribution systems laid the foundation for what would become the largest natural gas distribution utility in the United States.

The growth of these foundational companies was intertwined with the explosive demographic and economic expansion of Southern California. Los Angeles' population, for instance, doubled every decade until the 1930s, leading to an eight-fold increase in gas needs in just one decade. This relentless demand spurred innovation and expansion, pushing utilities to constantly improve their production and marketing techniques.

Meanwhile, the San Diego Gas & Electric Company continued its own trajectory of growth. In 1905, struggling to meet the escalating demand for its services, the company was sold to H.M. Byllesby & Company, a Chicago firm. It was subsequently renamed San Diego Consolidated Gas and Electric Company. This transaction included the company's key assets: an electric generating plant with four steam-driven turbines, a gas treatment plant, and miles of electric lines and gas mains serving thousands of customers.

The company continued to expand its generating capacity, with the first principal electric generating plant, Station B, completed in 1910. Further power plants were added over the years, including the Silver Gate steam electric generating station in 1943. By 1949, the population served by SDG&E had grown to 620,000, with sales reaching \$23.3 million. This steady growth necessitated continuous investment in infrastructure, including new generating units and stations.

In the early 1900s, Southern California Edison, a prominent electric utility, was also involved in the natural gas business. However, as electricity became cheaper, cleaner, and more efficient, Edison began divesting its gas properties, selling most of them to Southern Counties Gas Company and Southern California Gas Company. These two companies would eventually merge in 1970, further solidifying the structure of the natural gas distribution network in Southern California.

The mid-1980s marked a period of strategic re-evaluation for Pacific Lighting. As the growth in Southern California began to moderate, the company embarked on an aggressive campaign to diversify its holdings. This diversification led to a name change in 1988, reflecting its broader scope beyond just lighting. Pacific Lighting Corporation became Pacific Enterprises, encompassing a wider range of businesses,

including drug, discount, and sporting-goods stores, after its acquisition of Thrifty Corporation in 1986. This move, while aiming for long-term growth, initially left Pacific Enterprises with financial strains and its retail operations facing intense competition.

It was within this dynamic and evolving landscape of California's energy sector that the two future parents of Sempra, Pacific Enterprises and Enova Corporation, were operating. While Pacific Enterprises was a seasoned veteran with deep roots in gas distribution, Enova Corporation represented a newer, more diversified approach to energy and technology. The stage was being set for a union that would create a truly formidable entity in the North American utility space.

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