SEMPRA ENERGY
Form 424B5
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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 2, 2018

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated January 2, 2018)

$2,500,000,000

Common Stock

The forward sellers referred to below are offering $2,500,000,000 of shares of our common stock, no par value. We expect to enter into forward sale agreements with each of Morgan Stanley & Co. LLC, an affiliate of RBC Capital Markets, LLC and an affiliate of Barclays Capital Inc., whom we refer to in such capacity as the forward purchasers, with respect to $2,500,000,000 of shares of our common stock. In connection with these forward sale agreements, the forward purchasers or their affiliates, whom we refer to in such capacity as the forward sellers, at our request, are borrowing from third parties and selling to the underwriters an aggregate of $2,500,000,000 of shares of our common stock. If the forward purchasers determine in good faith, after using commercially reasonable efforts, that the forward sellers are unable to borrow and deliver for sale on the anticipated closing date such number of shares of our common stock or that the forward sellers are unable to borrow, at a stock loan rate not greater than a specified rate, and deliver for sale on the anticipated closing date such number of shares of our common stock, then we will issue and sell to the underwriters a number of shares equal to the number of shares that the forward sellers do not borrow and sell.

We will not initially receive any proceeds from the sale of our common stock sold by the forward sellers to the underwriters, except in certain circumstances described in this prospectus supplement. We expect to settle a portion of the forward sale agreements and receive proceeds, subject to certain adjustments, from the sale of those shares of common stock concurrently with, or prior to, the closing of our proposed merger (the Merger) with Energy Future Holdings Corp., as described herein under the heading Summary Information Recent Developments Proposed Acquisition of Energy Future Holdings Corp. We expect to settle the remaining portion of the forward sale agreements after the Merger, if completed, in multiple settlements on or prior to December 15, 2019, which is the scheduled final settlement date under the forward sale agreements. This offering is not contingent on the consummation of the Merger, which, if completed, will occur subsequent to the closing of this offering. If we elect to cash settle all or a portion of the forward sale agreements, we may not receive any proceeds from such election, and we may owe cash to the forward purchasers. If we elect to net share settle all or a portion of the forward sale agreements, we will not receive any cash proceeds from such election, and we may owe shares of our common stock to the forward purchasers. See Underwriting (Conflicts of Interest) Forward Sale Agreements.

Concurrently with this offering, we have commenced an offering (the Concurrent Offering) of our % Mandatory Convertible Preferred Stock, Series A, which is being made by means of a separate prospectus supplement and not by means of this prospectus supplement. The completion of this offering is not contingent on completion of either the Concurrent Offering or the Merger, and the completion of the Concurrent Offering is not contingent on the completion of either this offering or the Merger.

We intend to use the net proceeds we receive from the sale of shares of our common stock pursuant to the forward sale agreements to finance a portion of the cost of the Merger and to pay related fees and expenses or, in the case of any forward sales that settle after the closing of the Merger, to repay indebtedness incurred to finance a portion of the cost of the Merger and to pay related fees and expenses. If for any reason the Merger has not closed on or prior to December 1, 2018 or if an Acquisition Termination Event (as defined herein) occurs, then we expect to use the net proceeds from this offering for general corporate purposes, which may include, in our sole discretion, the voluntary redemption of the % Mandatory Convertible Preferred Stock, Series A, if issued, debt repayment, including repayment of commercial paper, capital expenditures, investments and possibly, repurchases of our common stock at the discretion of our board of directors. See Summary Information and Use of Proceeds.

Our common stock is listed on the New York Stock Exchange under the symbol SRE. On December 27, 2017, the last reported sale price of our common stock on the New York Stock Exchange was $107.83 per share.

Investing in the shares involves risks. See the Risk Factors section on page S-25 of this prospectus supplement.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Sempra Energy (1)	$	$

(1) We expect to receive net proceeds from the sale of our common stock of approximately $ billion upon full physical settlement of the forward sale agreements, which we expect will occur in multiple settlements on or prior to December 15, 2019. For the purpose of calculating the net proceeds to us, we have assumed the forward sale agreements will be fully physically settled at the initial forward sale price of $ per share, which is equal to the public offering price per share less the underwriting discount shown above. The forward sale price is subject to adjustment pursuant to the forward sale agreements, and the actual proceeds, if any, will be calculated as described in this prospectus supplement. If the overnight bank funding rate decreases substantially prior to the settlement of the forward sale agreements, we may receive less than the initial forward sale price per share upon full physical settlement of the forward sale agreements. Although we expect to settle the forward sale agreements entirely by the full physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements, in which case we may

receive no cash proceeds or substantially less cash proceeds than is reflected in the above table upon settlement, or we may be required to deliver cash or shares of our common stock to the forward purchasers. See Underwriting (Conflicts of Interest) for additional information.

We have granted the underwriters the option, exercisable in whole or from time to time in part, to purchase up to an additional $375,000,000 of shares of our common stock directly from us solely to cover over-allotments, if any, at the public offering price per share shown above, less the underwriting discount and subject to possible adjustment as described under Underwriting (Conflicts of Interest), exercisable for 30 days after the date of this prospectus supplement.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on or about , 2018.

Joint Book-Running Managers

Morgan Stanley	**RBC Capital Markets**	**Barclays**

, 2018

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the offering of our common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which does not apply to our common stock. If the description of our common stock or the offering of our common stock varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus issued by us. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell our common stock and seeking offers to buy our common stock only in jurisdictions where offers and sales are permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and any such free writing prospectus is accurate only as of their respective dates and the information contained in documents incorporated by reference is accurate only as of the respective dates of those documents, in each case regardless of the time of delivery of this prospectus supplement or the accompanying prospectus or any such free writing prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

The distribution of this prospectus supplement, the accompanying prospectus and any related free writing prospectus filed with the U.S. Securities and Exchange Commission (the SEC) and the offering of our common stock in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement, the accompanying prospectus and any such free writing prospectus come should inform themselves about and observe any such restrictions. This prospectus supplement, the accompanying prospectus and any such free writing prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See Underwriting (Conflicts of Interest).

This prospectus supplement and the accompanying prospectus are not prospectuses for the purpose of the Prospectus Directive as implemented in Member States of the European Economic Area (the EEA). Neither we nor the underwriters have authorized, nor do we or they authorize, the making of any offer of our common stock through any financial intermediary, other than offers made by underwriters or any dealers involved in the offering and sale of our common stock which constitute the final placement of our common stock contemplated in this prospectus supplement and the accompanying prospectus.

The communication of this prospectus supplement, the accompanying prospectus and any other document or materials relating to the issue of our common stock offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Financial Promotion Order)), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as relevant persons). In the United Kingdom, the common stock offered hereby is only available to, and any investment or investment activity to which this prospectus supplement and the accompanying prospectus relate will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus supplement or the accompanying prospectus or any of their contents.

CERTAIN DEFINITIONS; BASIS OF PRESENTATION

In this prospectus supplement, unless otherwise expressly stated or the context requires otherwise:

- Sempra, Sempra Energy, we, us, our and similar references refer to Sempra Energy and its subsidiaries to the proposed Merger;
- Oncor refers to Oncor Electric Delivery Company LLC;
- Oncor Holdings refers to Oncor Electric Delivery Holdings Company LLC;
- EFH refers to Energy Future Holdings Corp.;
- EFIH refers to Energy Future Intermediate Holding Company LLC;
- Acquisition Termination Event means either (1) the Merger Agreement (as defined herein) is terminated or (2) we determine in our reasonable judgment that the Merger will not occur;
- Additional Financing means the indebtedness that we expect to incur (which may include debt securities, commercial paper supported by our revolving credit facilities and/or borrowings under our revolving credit facilities), cash on hand and any common stock or other equity securities (other than the common stock that we are planning to sell to the forward purchasers in connection with this offering and the Mandatory Convertible Preferred Stock (as defined herein) we are offering in the Concurrent Offering) that we may issue, incur or apply to finance a portion of the Merger Consideration (as defined herein) and to pay related costs and expenses, including, as described, following the closing date of the Merger.

Unless otherwise expressly stated or the context otherwise requires, for purposes of this prospectus supplement, we have assumed that the Additional Financing used to pay a portion of the Merger Consideration on the closing date of the Merger, if completed, and related fees and expenses will consist of the proceeds we receive from the sale of our debt securities, commercial paper supported by our revolving credit facilities and borrowings under our revolving credit facilities. References herein to the initial Additional Financing (and similar references) refer to such debt securities, commercial paper supported by our revolving credit facilities and borrowings under our revolving credit facilities. We plan to issue shares of our common stock (including shares we expect to issue upon full physical settlement of a portion of the forward sale agreements subsequent to the closing date of the Merger, if completed) and, possibly, other equity securities subsequent to the closing of the Merger, if completed, and to use the proceeds therefrom to, among other possible uses, repay a portion of the indebtedness incurred as part of the initial Additional Financing and pay related fees and expenses. We may also use cash on hand and proceeds from asset sales to repay indebtedness incurred as part of the initial Additional Financing;

combined company refers to Sempra Energy and its subsidiaries after completion of the Transactions referred to below, including the Merger;

Common Stock Offering or this offering means our issuance and sale of shares of our common stock, if any, pursuant to the forward sale agreements and the additional shares of our common stock that the underwriters have the option to purchase directly from us solely to cover over-allotments, if any;

Financing Transactions means this offering, the Concurrent Offering referred to below and any Additional Financing, and initial Financing Transactions means this offering, the Concurrent Offering and any initial Additional Financing;

Mandatory Convertible Preferred Stock means our % Mandatory Convertible Preferred Stock, Series A;

Mandatory Convertible Preferred Stock Offering or Concurrent Offering mean the concurrent offering of $1,500,000,000 of shares of our Mandatory Convertible Preferred Stock, plus up to an additional $225,000,000 of shares of our Mandatory Convertible Preferred Stock that the underwriters in such offering have the option to purchase from us solely to cover over-allotments, if any;

Merger refers to the proposed Merger of EFH with an indirect, wholly owned subsidiary of Sempra Energy, with EFH continuing as the surviving company and an indirect, wholly owned subsidiary of Sempra Energy;

Merger Consideration means the $9.45 billion in cash we will be required to pay as consideration for the Merger, subject to possible adjustment based on the timing of dividends paid by Oncor to Oncor Holdings and the consummation of the Merger; and

Transactions refers to the Merger, the Financing Transactions and the application of the net proceeds from the Financing Transactions to pay the Merger Consideration and related fees and expenses.

Unless otherwise specified or the context requires otherwise, information in this prospectus supplement assumes that (1) the option we have granted to the underwriters in this offering to purchase additional shares of our common stock from us solely to cover over-allotments, if any, and the option we have granted to the underwriters in the Concurrent Offering to purchase additional shares of our Mandatory Convertible Preferred Stock from us solely to cover over-allotments, if any, are not exercised, (2) we effect full physical settlement of the forward sale agreements that we enter into in connection with this offering, (3) there is no adjustment to the Merger Consideration of $9.45 billion, and (4) we elect to pay all dividends with respect to the Mandatory Convertible Preferred Stock, if issued, in cash.

Although the Merger has not yet occurred and, if completed, will not occur until after the closing of this offering, the Concurrent Offering and the initial Additional Financing and although none of the initial Financing Transactions are contingent upon the completion of the other initial Financing Transactions or the Merger, the pro forma and as adjusted information included and incorporated by reference in this prospectus supplement and the accompanying prospectus gives pro forma effect to some or all of the Merger and the initial Financing Transactions as if we had completed all such transactions as of September 30, 2017, in the case of balance sheet data, and as of January 1, 2016, in the case of statement of operations data, unless otherwise specified. As a result, purchasers of our common stock in this offering should not place undue reliance on the pro forma and as adjusted information included and incorporated by reference in this prospectus supplement and the accompanying prospectus because this offering is not contingent upon completion of any of the other transactions reflected in that information. If the Merger does not occur, we will have the option to redeem the Mandatory Convertible Preferred Stock, if issued, and we may be required or elect to redeem or repay some or all of the debt securities we plan to issue and borrowings, if any, we plan to incur as part of the Additional Financing.

All references to currency amounts included in this prospectus supplement are in U.S. dollars unless specifically noted otherwise.

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FORWARD-LOOKING STATEMENTS AND MARKET DATA

This prospectus supplement, the accompanying prospectus and the documents they incorporate by reference contain, and any related free writing prospectus issued by us may contain, statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon assumptions with respect to the future, involve risks and uncertainties, and are not guarantees of performance. Future results may differ materially from those expressed in the forward-looking statements. Unless otherwise expressly stated, these forward-looking statements represent our estimates and assumptions only as of the respective dates of the documents in which such forward-looking statements appear. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors.

When we use words such as believes, expects, anticipates, plans, estimates, projects, forecasts, contempl depends, should, could, would, will, confident, may, can, potential, possible, proposed, targe maintain, or similar expressions, or when we discuss our guidance, strategy, plans, goals, opportunities, projections, initiatives, objectives or intentions, we are making forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to:

actions and the timing of actions, including decisions, new regulations, and issuances of permits and other authorizations by the California Public Utilities Commission, U.S. Department of Energy, California Division of Oil, Gas, and Geothermal Resources, Federal Energy Regulatory Commission, U.S. Environmental Protection Agency, Pipeline and Hazardous Materials Safety Administration, Los Angeles County Department of Public Health, states, cities and counties, and other regulatory and governmental bodies in the United States and other countries in which we operate;

the timing and success of business development efforts and construction projects, including risks in obtaining or maintaining permits and other authorizations on a timely basis, risks in completing construction projects on schedule and on budget, and risks in obtaining the consent and participation of partners;

the resolution of civil and criminal litigation and regulatory investigations;

deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; modifications of settlements; and delays in, or disallowance or denial of, regulatory agency authorizations to recover costs in rates from customers (including with respect to regulatory assets associated with the San Onofre Nuclear Generating Station facility and 2007 wildfires) or regulatory agency approval for projects required to enhance safety and reliability;

the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the transmission grid, moratoriums or limitations on the withdrawal or injection of natural gas from or into storage facilities, and equipment failures;

changes in energy markets; volatility in commodity prices; moves to reduce or eliminate reliance on natural gas; and the impact on the value of our investment in natural gas storage and related assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for storage services;

risks posed by actions of third parties who control the operations of our investments, and risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments;

weather conditions, natural disasters, accidents, equipment failures, computer system outages, explosions, terrorist attacks and other events that disrupt our operations, damage our facilities and

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systems, cause the release of greenhouse gases, radioactive materials and harmful emissions, cause wildfires and subject us to third-party liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance (including costs in excess of applicable policy limits) or may be disputed by insurers;

cybersecurity threats to the energy grid, storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers and employees;

capital markets and economic conditions, including the availability of credit and the liquidity of our investments; and fluctuations in inflation, interest and currency exchange rates and our ability to effectively hedge the risk of such fluctuations;

the impact of changes in the tax code as a result of recent federal tax reform and uncertainty as to how certain of those changes may be applied;

actions by rating agencies to downgrade credit ratings of us or our subsidiaries or to place these ratings on negative outlook;

changes in foreign and domestic trade policies and laws, including border tariffs, revisions to international trade agreements, such as the North American Free Trade Agreement, and changes that make our exports less competitive or otherwise restrict our ability to export or resolve trade disputes;

the ability to win competitively bid infrastructure projects against a number of strong and aggressive competitors;

expropriation of assets by foreign governments and title and other property disputes;

the impact on reliability of San Diego Gas & Electric Company s (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources;

the impact on competitive customer rates due to the growth in distributed and local power generation and the corresponding decrease in demand for power delivered through SDG&E s electric transmission and distribution system and from possible departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation or other forms of distributed and local power generation and the potential risk of nonrecovery for stranded assets and contractual obligations; and

other uncertainties, some of which may be difficult to predict and are beyond our control.

Forward-looking statements also include statements about the anticipated benefits of the proposed Merger involving Sempra Energy, EFH, and EFH s indirect interest in Oncor, including future financial or operating results of Sempra Energy or Oncor, Sempra Energy s, EFH s or Oncor s plans, objectives, expectations or intentions, the expected financing plans for the Merger, the anticipated impact of the Merger, if consummated, on the credit ratings of Sempra or Oncor, the expected timing of completion of the Merger, plans regarding future capital investments by Sempra Energy or Oncor, the projected growth in gross domestic product and population in Texas and the United States as a whole, future return on equity or capital structure of Sempra Energy or Oncor, and other statements that are not historical facts. Additional factors that could cause actual results and future actions to differ materially from those described in any forward-looking statements include risks and uncertainties relating to:

the risk that Sempra Energy, EFH or Oncor may be unable to obtain bankruptcy court and governmental and regulatory approvals required for the Merger, or that required bankruptcy court and governmental and regulatory approvals may delay the Merger or result in the imposition of conditions that could cause the parties to abandon the Merger or be onerous to Sempra Energy;

the risk that a condition to closing of the Merger may not be satisfied;

the risk that the Merger may not be completed for other reasons, or may not be completed on the terms or timing currently contemplated;

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- the risk that the anticipated benefits from the Merger may not be fully realized or may take longer to realize than expected;

- the risk that Sempra Energy may be unable to obtain the external financing necessary to pay the consideration and expenses related to the Merger on terms favorable to Sempra Energy, if at all;

- the risk that, if the Merger is completed, Oncor s results of operations after the Merger will not be consistent with our expectations or that its capital investment spending will be less than anticipated;

- disruption from the Merger making it more difficult to maintain relationships with customers, employees or suppliers;

- the diversion of management time and attention to Merger-related issues and related legal, accounting and other costs, whether or not the Merger is completed; and

- the risk that Oncor will eliminate or reduce its quarterly dividends due to its requirement to meet and maintain its new regulatory capital structure, or because any of the three major rating agencies rates its senior secured debt securities below BBB (or its equivalent) or its independent directors determine it is in the best interest of Oncor to retain such amounts to meet future capital expenditures.

Investing in our common stock involves risk. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described herein and in the Business, Risk Factors, and Management s Discussion and Analysis of Financial Condition and Results of Operations sections and other sections in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. These risks, uncertainties and other factors could cause you to suffer a loss of all or part of your investment in our common stock. Before making an investment decision, you should carefully consider these factors and risks as well as other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and any related free writing prospectus issued by us. Risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations, financial results and the value of our common stock.

We caution you not to rely unduly on any forward-looking statements. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described herein and in our reports and other documents on file with the SEC that are incorporated by reference into this prospectus supplement and the accompanying prospectus and any related free writing prospectus issued by us. You may obtain copies of these reports and documents as described under Where You Can Find More Information in the accompanying prospectus.

This prospectus supplement, the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference in the accompanying prospectus include, and any free writing prospectus we provide you in connection with this offering may include, market, demographic and industry data and forecasts that are based on or derived from sources such as independent industry publications, publicly available information, government data and other information from third parties or that have been compiled or prepared by our management or employees, as well as information regarding Oncor and the markets in which it operates. We do not guarantee the accuracy or completeness of any of this information, and we have not independently verified any of the information provided by third party sources or any of the information regarding Oncor or its markets. In addition, market, demographic and industry data and forecasts involve estimates, assumptions and other uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors in this prospectus supplement and under similar headings in documents that are incorporated or deemed to be incorporated by reference in the accompanying prospectus. In that regard, we understand that statements that Oncor operates the largest distribution and transmission system in Texas are based upon the number of customers. Accordingly, you should not place undue reliance on any of this information.

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SUMMARY INFORMATION

The following information supplements, and should be read together with, the information contained in the accompanying prospectus and the documents incorporated by reference herein and therein. You should carefully read this prospectus supplement and the accompanying prospectus, as well as the documents they incorporate by reference and any related free writing prospectus issued by us, before making an investment decision. Unless we state otherwise or the context otherwise requires, references appearing in this prospectus supplement to we, us and our should be read to refer to Sempra Energy and its subsidiaries.

Sempra Energy

Sempra Energy, based in San Diego, California, is a Fortune 500 energy-services holding company whose operating units invest in, develop and operate energy infrastructure, and provide gas and electricity services to their customers in North and South America. Our operating units are Sempra Utilities, which includes our Southern California Gas Company, San Diego Gas & Electric Company and Sempra South American Utilities reportable segments; and Sempra Infrastructure, which includes our Sempra Mexico, Sempra LNG & Midstream and Sempra Renewables reportable segments.

Our California utility subsidiaries, Southern California Gas Company and San Diego Gas & Electric Company, serve a population of approximately 25 million. Natural gas service is provided throughout Southern California and portions of Central California through approximately 6.8 million meters. Electric service is provided throughout San Diego County and an adjacent portion of Orange County, both in Southern California, through approximately 1.4 million meters. Our California utilities had a combined rate base of approximately $14 billion as of September 30, 2017, with the California Public Utilities Commission (CPUC) authorized returns on equity of 10.05% for Southern California Gas Company and 10.2% for San Diego Gas & Electric Company effective as of January 1, 2018, in each case as calculated for regulatory purposes.

Our principal executive offices are located at 488 8th Avenue, San Diego, California 92101, and our telephone number is (619) 696-2000.

Recent Developments

Proposed Acquisition of Energy Future Holdings Corp.

On August 21, 2017, Sempra Energy, along with an indirect, wholly owned subsidiary (Merger Sub), entered into an Agreement and Plan of Merger, as supplemented by a Waiver Agreement dated October 3, 2017 (together referred to as the Merger Agreement), with Energy Future Holdings Corp. (EFH), the indirect owner of 80.03% of the outstanding membership interests in Oncor Electric Delivery Company LLC (Oncor), and EFH s subsidiary Energy Future Intermediate Holding Company LLC (EFIH). Oncor is a regulated electric distribution and transmission business that operates the largest distribution and transmission system in Texas.

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Pursuant to the Merger Agreement and subject to the satisfaction of certain closing conditions described below, EFH will be merged with Merger Sub, with EFH continuing as the surviving company and an indirect, wholly owned subsidiary of Sempra Energy (the Merger), as follows:

The foregoing is a simplified ownership structure that does not show all the subsidiaries of, or other equity interests owned by, these entities.

Texas Transmission Investment LLC (TTI), an investment vehicle indirectly owned by third parties unaffiliated with EFH or Sempra Energy, owns 19.75% of Oncor s outstanding membership interests, and certain current and former directors and officers of Oncor indirectly beneficially own 0.22% of Oncor s outstanding membership interests through their ownership of Class B membership interests in Oncor Management Investment LLC (OMI). On October 3, 2017, Sempra Energy provided written confirmation to Oncor Electric Delivery Holdings Company LLC (Oncor Holdings) and Oncor that, contemporaneously with the closing of the Merger, equivalent value (approximately $25.9 million) will be provided in exchange for the Class B membership interests in OMI in the form of cash or, if mutually agreed by the parties, alternative benefit and/or incentive plans. The consummation of the Merger is not conditioned on the acquisition of the interests in OMI, and there has been no formal agreement by us or the owners of these interests to accept the terms of our written confirmation.

On August 25, 2017, Sempra Energy and Merger Sub entered into a letter agreement (the Oncor Letter Agreement) with Oncor Holdings and Oncor providing for, among other things, certain rights and obligations of the parties to cooperate with respect to regulatory filings and appearances made in connection with the transactions contemplated by the Merger Agreement and with respect to Sempra Energy s arrangement of any debt or equity issuance contemplated by the Merger Agreement.

Strategic Rationale for the Merger. Oncor is a regulated electricity transmission and distribution company with no ownership of power generating assets. Oncor is principally engaged in supplying electricity delivery services to retail electric providers that sell power in the north-central, eastern and western parts of Texas. As of

September 30, 2017, Oncor served 91 counties in Texas through its more than 122,000 miles of transmission and distribution lines.

We believe that the acquisition of EFH and its indirect ownership interest in Oncor will provide meaningful strategic benefits to us, including:

Expanding our U.S. regulated utility footprint

The Merger represents an opportunity for us to expand our U.S. regulated utility footprint, consistent with our strategy of targeting operations with stable, visible earnings streams. As a pure-play electric transmission and distribution utility, with a history of paying dividends, Oncor is expected to generate predictable revenues from its regulated utility business without subjecting us to incremental electricity generation-related risk. Oncor s results of operations are supported by its substantial regulatory rate base of approximately $11 billion as of December 31, 2016, and Oncor s current rate case provides for equity capitalization of 42.5% and authorized return on equity of 9.80%, in each case as calculated for regulatory purposes. This further complements the $14 billion combined regulatory rate base of our California utilities subsidiaries, San Diego Gas & Electric Company and Southern California Gas Company as of September 30, 2017, and their CPUC authorized return on equity of 10.2% and 10.05%, respectively, in each case as calculated for regulatory purposes, effective as of January 1, 2018. The expansion of our U.S. utility exposure is expected to bolster the stability and visibility of our operating results and reflects our strategy of meaningfully increasing the U.S. and utility contributions to our earnings mix.

Providing exposure to the attractively positioned Texas market

Oncor is a regulated electric distribution and transmission business located in the attractively positioned Texas market. Oncor served 91 counties in Texas as of September 30, 2017, including the Dallas/Fort Worth area. In 2016, Texas generated approximately $1.6 trillion in gross state product and approximately $233 billion in annual exports, according to data from the U.S. Bureau of Economic Analysis. Texas was also the top energy producing and consuming state in the United States for 2016, according to information from the Energy Information Administration. The estimated 2.8% compound annual growth rate in Texas gross state product and its estimated 1.3% compound annual population growth rate from 2016 through 2030 outpaces the estimated 1.8% compound annual growth in gross domestic product and estimated 0.5% compound annual population growth rate for the United States as a whole over that period, according to data from Information Handling Service Markit. We believe that the diversification of our U.S. utility business into a state with these attractive fundamentals positions us for future growth.

Serving as a regional growth platform for Sempra Energy s operations in the Gulf Coast

Oncor s ownership of the largest electric transmission and distribution business in Texas (according to data from S&P Global Market Intelligence), together with our existing investments and development projects in the Gulf Coast area, is expected to strengthen our competitive position in that region, consistent with our strategy of expanding our investment and overall presence in this attractive market. We have a substantial footprint of operational assets in the region, including our approximately 42 billion cubic feet (Bcf) of natural gas storage facilities and through our 66.4% ownership interest in IEnova, which owns or has investments in the region, including natural gas pipelines with approximately 6.3 Bcf of capacity under contract and a wind power generation facility with capacity of approximately 252 megawatts. Additionally, our 50.2% joint venture interest in the Cameron Louisiana regasification terminal and liquefied natural gas (LNG) liquefaction project under construction and the ongoing regulatory and design activities for a potential LNG liquefaction facility at our Port Arthur, Texas site, reflect the core strategy of expanding operations within the Gulf Coast.

Offering highly visible path to future growth

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As a key element in our growth plan, we seek to identify and execute on new, attractive investment opportunities that fall within our core business strategy of growing earnings from regulated businesses. With its $8.4 billion of planned investment spending during years 2018 through 2022, we believe that Oncor offers attractive intermediate-term opportunities for growing its regulated businesses, fitting squarely within our broader growth strategy.

Merger Consideration and Financing. Under the Merger Agreement, Sempra Energy will pay total Merger consideration of $9.45 billion in cash, subject to possible adjustment based on the timing of dividends paid by Oncor to Oncor Holdings and the consummation of the Merger (the Merger Consideration).

We currently intend to initially finance the Merger Consideration, as well as associated transaction costs, with the net proceeds from debt and equity issuances, consisting of the common stock to be sold pursuant to the forward sale agreements in connection with this offering, the Mandatory Convertible Preferred Stock to be sold in the Concurrent Offering, and initial Additional Financing consisting of our debt securities, commercial paper supported by our revolving credit facilities and borrowings under our revolving credit facilities, although we could also utilize cash on hand. We expect to ultimately fund approximately 65% of the total Merger Consideration with the net proceeds from sales of Sempra Energy common stock (including the common stock to be sold pursuant to the forward sale agreements) and other equity securities (including the Mandatory Convertible Preferred Stock to be sold in the Concurrent Offering), although we may use cash on hand and proceeds from asset sales in place of some of this equity financing, and approximately 35% with the net proceeds from issuances of Sempra Energy debt securities. Some of these equity issuances will likely occur following the Merger (including the issuance of some of the shares we expect to issue upon full physical settlement of the forward sale agreements) to repay outstanding indebtedness, including indebtedness we expect to incur to initially finance the Merger Consideration and associated transaction costs. We may also use cash on hand and proceeds from asset sales to repay indebtedness initially incurred to pay a portion of the Merger Consideration and related fees and expenses. We have entered into a commitment letter with a syndicate of banks providing, subject to customary conditions, for a $4.0 billion, 364-day senior unsecured bridge facility (the Bridge Facility) to backstop a portion of our obligation to pay the Merger Consideration. However, the $4.0 billion commitment is reduced by the amount of funds received through our sales of equity securities and debt securities, subject to certain exceptions (which exceptions are inapplicable to the common stock to be sold pursuant to the forward sale agreements, the Mandatory Convertible Preferred Stock to be sold in the Concurrent Offering, and the debt securities we currently intend to issue as part of the initial Additional Financing), and by increases in our borrowing capacity under our existing revolving credit facilities. If this offering, the Concurrent Offering and the initial Additional Financing are completed on the terms that we currently contemplate, we anticipate that there will be no remaining borrowing capacity under the Bridge Facility. In addition, our revolving credit facilities for Sempra Energy and Sempra Global (which is guaranteed by Sempra Energy), a wholly owned subsidiary of Sempra Energy, contain provisions that allow us to increase, in one or more requests, the lenders commitments thereunder (accordion feature) by an aggregate amount of approximately $1.1 billion, subject to customary conditions and consent of the lenders. On December 4, 2017, we notified the lenders under these revolving credit facilities of our request to increase our borrowing capacity thereunder by an aggregate amount of approximately $1.1 billion. Upon the effectiveness of this increase, this additional borrowing capacity would be available to us for working capital, capital expenditures and other general corporate purposes. This additional borrowing capacity is intended to provide us with additional liquidity and to support commercial paper that we may utilize from time to time to fund our strategic and growth initiatives, separate and apart from the Merger. If we successfully exercise the accordion feature, the borrowing capacity increase under our revolving credit facilities will reduce our borrowing capacity under the Bridge Facility.

Ring-Fencing. In April 2014, EFH and the substantial majority of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. The bankruptcy does not include Oncor Holdings or Oncor. Certain existing ring-fencing measures, governance mechanisms and restrictions will remain in effect following the Merger, which are intended to

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enhance Oncor Holdings and Oncor s separateness from their owners and to mitigate the risk that these entities would be negatively impacted by the bankruptcy of, or other adverse financial developments affecting, EFH or its other subsidiaries or the owners of EFH. In accordance with the ring-fencing measures and commitments made by us as part of the joint application (the Joint Application) with Oncor to the Public Utility Commission of Texas (the PUCT) for regulatory approval of the Merger, we will be subject to certain restrictions following the Merger. We will not control Oncor Holdings or Oncor, and the ring-fencing measures, governance mechanisms and restrictions, as well as the Stipulation referred to below, will limit our ability to direct the management, policies and operations of Oncor Holdings and Oncor, including the deployment or disposition of their assets, declarations of dividends, strategic planning and other important corporate issues and actions. These limitations include limited representation on the Oncor Holdings and Oncor boards of directors. Following consummation of the Merger, the board of directors of Oncor is expected to consist of thirteen members and be constituted as follows:

- seven members will be independent directors in all material respects under the rules of the New York Stock Exchange in relation to Sempra Energy and its subsidiaries and affiliated entities and any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings (and those directors must have no material relationship with Sempra Energy or its affiliates or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings at the time of the Merger or within the previous ten years) (independent directors),

- two members will be designated by Sempra Energy,

- two members will be appointed by TTI, and

- two members will be current or former officers of Oncor (the Oncor Officer Directors), initially Robert S. Shapard and E. Allen Nye, Jr., who no later than the closing of the Merger will be the chair of the Oncor board and chief executive officer of Oncor, respectively (in order for a current or former officer of Oncor to be eligible to serve as an Oncor Officer Director, such officer cannot have worked for Sempra or any of its affiliates (excluding Oncor Holdings and Oncor) or any other entity with a direct or indirect ownership interest in Oncor or Oncor Holdings in the ten years prior to such officer being employed by Oncor). Oncor Holdings, at the direction of EFIH (a subsidiary of EFH, which will be a wholly owned indirect subsidiary of, and controlled by, Sempra Energy following the Merger), will have the right to nominate and/or seek the removal of the Oncor Officer Directors, with such nomination or removal subject to approval by a majority of the Oncor board of directors.

The composition of the Oncor board of directors described above must be maintained subsequent to the Merger, unless we were to acquire TTI s ownership interest in Oncor, in which case the two members of the Oncor board of directors appointed by TTI would be eliminated and the size of the Oncor board of directors reduced by two members. In addition, following consummation of the Merger, Oncor Holdings must have a board comprised of 10 members, six of which must be independent directors, two of which must be current or former officers of Oncor Holdings (the Oncor Holdings Officer Directors) (which initially will be the same two Oncor officers who will be the initial Oncor Officer Directors described above), and two of which shall be designated by us. The eligibility requirements for serving as an Oncor Holdings Officer Director are the same as the eligibility requirements for serving as an Oncor Officer Director as described in the preceding paragraph. EFIH will have the right to nominate and/or seek the removal of the Oncor Holdings Officer Directors, subject to approval by a majority of the Oncor Holdings board of directors. Thus, Oncor Holdings and Oncor will continue to be managed independently (i.e., ring-fenced). Upon consummation of the Merger, we will consolidate EFH, and EFH will continue to account for its ownership in Oncor Holdings as an equity method investment.

On December 14, 2017, Sempra Energy and Oncor entered into a comprehensive stipulation (the Stipulation) with the staff of the PUCT and three other key stakeholders in the PUCT proceeding regarding the Joint Application. Pursuant to the Stipulation, the parties have agreed that Sempra Energy s acquisition of EFH is in the public interest and will bring substantial benefits. The parties to the Stipulation have also agreed to ask the

PUCT to approve the Merger, consistent with governance, regulatory and operating commitments outlined in the Stipulation, most of which are similar to regulatory commitments made by Sempra Energy as part of the Joint Application and are consistent with the ring-fencing measures currently in place. In addition, the Stipulation requires, among other things, that within 60 days after the Merger, Sempra Energy contribute its proportionate share (i.e., 80.03%) of the aggregate equity investment in Oncor in an amount necessary for Oncor to achieve a capital structure consisting of 57.5% long-term debt and 42.5% equity, as calculated for regulatory purposes (until recently Oncor s regulatory capital structure required 40% equity, with the remaining 60% as debt).

For additional information on these ring-fencing measures and the terms of the Stipulation, see our Current Report on Form 8-K, filed with the SEC on December 15, 2017, and incorporated herein by reference, and which may be obtained as described under Where You Can Find More Information, in the accompanying prospectus.

On December 27, 2017, Sempra Energy and Oncor announced that two additional stakeholders in the PUCT proceeding, The Alliance for Retail Markets and the Texas Energy Association for Marketers, joined as parties to the Stipulation. Sempra Energy and Oncor are continuing to engage in settlement discussions regarding the Joint Application with the remaining stakeholders in the PUCT proceeding, and it is possible that Sempra Energy may be required to agree to additional commitments and restrictions in order to successfully conclude those discussions.

Closing Conditions to Merger. The Merger is subject to customary closing conditions, including the approval of EFH s Chapter 11 bankruptcy proceedings by the U.S. Bankruptcy Court for the District of Delaware and the approval of the Merger by the PUCT, the Federal Energy Regulatory Commission (the FERC) and the Vermont Department of Financial Regulation, among others, as well as receipt of a supplemental private letter ruling from the U.S. Internal Revenue Service (the IRS) and the issuance of certain tax opinions regarding the transaction. On November 2, 2017, EFH received a supplemental private letter ruling from the IRS that provides that the Merger will not affect the tax-free treatment of the 2016 Vistra Energy Corp. (formerly TCEH Corp.) spinoff from EFH. On November 29, 2017, Sempra Energy received the necessary approval from the Vermont Department of Financial Regulation and on December 11, 2017, the FERC issued an order authorizing the transaction whereby Sempra Energy will indirectly acquire 80.03% of the ownership interest in Oncor, subject to customary conditions. The Merger Agreement provides that it will terminate if the Merger is not consummated by April 18, 2018, subject to limited exceptions. One of those exceptions provides that, if the Merger is not consummated because the requisite PUCT approval has not been obtained by April 18, 2018 but such approval is still capable of being obtained within 90 days thereafter, the April 18, 2018 date shall be extended for 90 days for purposes of continuing to pursue such approval unless otherwise agreed by EFH and EFIH (acting together) and Sempra Energy. The Merger Agreement may also be terminated by the respective parties thereto under other specified circumstances.

On September 6, 2017, the U.S. Bankruptcy Court for the District of Delaware approved EFH s and EFIH s entry into the Merger Agreement. Under the terms of the Merger Agreement, a $190 million termination fee would be owed to Sempra Energy if EFH or EFIH terminates the Merger Agreement in certain circumstances and consummates an alternative proposal with a third party.

On October 5, 2017, Sempra Energy and Oncor filed the Joint Application with the PUCT and an application with the FERC seeking approval of the Merger. On October 12, 2017, the administrative law judge in the PUCT proceeding issued an order deeming the Joint Application sufficient. On October 16, 2017, the PUCT set a procedural schedule to complete a review of Sempra Energy s and Oncor s change-in-control request within 180 days of the filing of the Joint Application on October 5, 2017, although the 180-day period is subject to possible 60-day extension under certain conditions. As noted above, we received the necessary approval from the FERC on December 11, 2017. We currently expect that the Merger will close in the first half of 2018, although completion of the Merger is subject to various conditions, regulatory approvals and other uncertainties, and there can be no assurance that the Merger will be completed on that timetable, or at all.

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On October 3, 2017, Sempra Energy, Merger Sub, EFH and EFIH entered into a Waiver Agreement to the Merger Agreement (the Waiver Agreement), pursuant to which Sempra Energy and Merger Sub are no longer required or permitted to pursue or obtain the debt financing by Merger Sub (or any alternative financing in lieu thereof) that was to have provided a portion of the Merger Consideration, as was originally contemplated in the Merger Agreement, and the satisfaction of that requirement is no longer a condition to the obligations of EFH and EFIH to consummate the Merger. Also, Sempra Energy and Merger Sub agreed that their obligations to consummate the Merger are not conditioned upon receipt by Sempra Energy of the external financing that will be required to pay the Merger Consideration. In addition, the parties to the Merger Agreement agreed they were not required to obtain, and as a result, have not pursued a filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the expiration or earlier termination of the waiting period under the HSR Act is no longer a condition of any party to consummate the Merger.

On October 5 and 9, 2017, Fitch Ratings and Standard & Poor s, respectively, affirmed Sempra Energy s long-term issuer credit rating following our announcement to acquire 100% of EFH with the currently contemplated financing structure (i.e., ultimately funding approximately 65% of the total Merger Consideration with the proceeds from the sale of our equity securities and approximately 35% with the proceeds from the issuance of our debt securities). On December 20, 2017, Moody s Investors Service (Moody s) placed Sempra Energy s credit ratings on negative outlook. Moody s indicated that this action was triggered by our having entered into the Stipulation with the staff of the PUCT and other key stakeholders, which Moody s described as a significant milestone in our attaining regulatory approval for the Merger. In addition, Moody s indicated that a downgrade of our credit ratings over the 12 to 18 months after December 20, 2017 is likely if they anticipate that our consolidated credit metrics will remain weak, relative to our current credit rating, beyond 2019, specifically if our consolidated ratio of cash flow from operations before changes in working capital to debt remains below 18% (assuming successful completion of the Merger) for an extended period of time. Moody s also indicated that a downgrade could also be considered if there is a further delay in the completion of our Cameron LNG project.

Moody s also issued a public comment on December 20, 2017 regarding recent wildfires in northern California and Ventura County, California and how the application of the doctrine of inverse condemnation under California law (which is a form of strict liability) may expose California investor-owned utilities, like SDG&E, to substantial liabilities if they are unable to recover costs from wildfires even when they have acted prudently. While Moody s has not changed its assessment regarding California s supportive regulatory environment, it did determine that the December 6, 2017 decision issued by the CPUC denying SDG&E s request to recover approximately $379 million of pretax costs associated with the 2007 wildfires (based on the CPUC s finding that SDG&E did not reasonably operate the facilities involved in the wildfires) is credit negative for SDG&E, for Sempra Energy and for other California utilities seeking to recover costs from wildfires. Moody s further indicated that it may reassess its view of the California regulatory framework if it determines that the credit supportiveness of California s regulatory environment has weakened (including as a result of the CPUC s discretion in denying recovery of wildfire costs), which would also be credit negative and could lead to a downgrade of the credit ratings of California investor-owned utilities, including SDG&E, or those ratings being placed on negative outlook.

In addition, unrelated to the Merger, Standard & Poor s revised its debt ratings criteria, *Reflecting Subordination Risk in Corporate Issue Ratings*, on September 21, 2017, and as a result of this new methodology, has indicated that it could downgrade its rating of our senior unsecured debt securities (which would include any debt securities issued to finance a portion of the Merger Consideration) within the 12 months following its October 9, 2017 announcement if we do not complete the Merger or if the aggregate indebtedness of our subsidiaries continues to exceed 50% of our total consolidated debt. Also unrelated to the Merger, recently enacted U.S. tax legislation could have an adverse impact on our credit ratings. See Risk Factors Risks Related to Our Common Stock Recent U.S. tax legislation may materially adversely affect our financial

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condition, results of operations and cash flows, the value of investments in our common stock, Mandatory Convertible Preferred Stock, if issued, and debt securities, and our credit ratings.

The negative outlook by Moody s, any downgrade of our credit ratings by Standard & Poor s, Fitch Ratings, Moody s or any other rating agency, or any additional negative outlook on our credit ratings may adversely affect the market price of our common stock and our debt securities and, if issued, our Mandatory Convertible Preferred Stock and could make it more costly for us to issue debt securities, to borrow under our credit facilities and to raise certain other types of financing.

There can be no assurance that the Merger will be consummated on the terms or by the time currently contemplated, or at all, or, if consummated, that the terms of the Merger, including the financing thereof and the closing date, will not differ, perhaps substantially, from those currently contemplated or described in this prospectus supplement or the documents incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus.

The Merger, the Merger Agreement, the Oncor Letter Agreement, the Waiver Agreement and the Stipulation are described in more detail in our Current Reports on Form 8-K filed with the SEC on August 25, 2017, August 28, 2017, October 6, 2017 and December 15, 2017 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed with the SEC on October 30, 2017, which are incorporated by reference into this prospectus supplement and the accompanying prospectus. The foregoing summary description does not purport to be complete and is qualified in its entirety by reference to such Current Reports on Form 8-K and Quarterly Report on Form 10-Q and the exhibits attached thereto.

The Merger Agreement, the Oncor Letter Agreement, the Waiver Agreement and the Stipulation (collectively, Agreements) have been filed as exhibits to the Current Reports on Form 8-K mentioned in the preceding paragraph to provide information to current and prospective investors and security holders regarding their terms. The Agreements are not intended to provide any other factual information about EFH, EFIH, Oncor Holdings, Oncor, Sempra Energy or Merger Sub, their respective businesses, or the actual or future conduct of their respective businesses or to modify or supplement any factual disclosures about EFH, EFIH, Oncor Holdings, Oncor or Sempra Energy included in this prospectus supplement, the accompanying prospectus or the documents incorporated or deemed to be incorporated by reference therein or in their respective public reports, if any, filed with the SEC. The Agreements and the description of certain terms of the Agreements appearing in this prospectus supplement and some of the documents incorporated or deemed to be incorporated by reference in the accompanying prospectus should not be relied upon as disclosure, representations or warranties about EFH, EFIH, Oncor Holdings, Oncor, Sempra Energy or Merger Sub. No one should rely on the representations, warranties and covenants in any of the Agreements or any descriptions thereof as characterizations of the actual state of facts or conditions of EFH, EFIH, Oncor Holdings, Oncor, Sempra Energy or Merger Sub or any of their respective subsidiaries or affiliates. The representations and warranties contained in the Agreements are the product of negotiations among the parties thereto and that the parties made to, and solely for the benefit of, each other as of specified dates. The assertions embodied in those representations and warranties are subject to qualifications and limitations agreed to by the respective parties and are also qualified in important part by confidential disclosure schedules delivered in connection with the Agreements. The representations and warranties may have been made for the purpose of allocating contractual risk between the parties to the Agreements instead of establishing these matters as facts, and may be subject to standards of materiality used by the contracting parties that differ from those applicable to investors and security holders. Moreover, information concerning the subject matter of the representations and warranties may change after the dates of the Agreements, which subsequent information may or may not be reflected in this prospectus supplement or the documents incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus or in Sempra Energy s other public reports. The Agreements should not be read alone, but should instead be read in conjunction with the other information regarding Sempra Energy, EFH, EFIH,

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Merger Sub, Oncor Holdings or Oncor that is contained in, or incorporated by reference into, this prospectus supplement, the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference herein and therein.

Financing Transactions

In addition to the sale of our common stock pursuant to the forward sale agreements in connection with this offering, we expect to obtain additional financing to pay for the Merger Consideration and related costs and expenses as described below.

Mandatory Convertible Preferred Stock Offering. Concurrently with this offering, we are offering, by means of a separate prospectus supplement and subject to market and other conditions, $1,500,000,000 of shares of our % Mandatory Convertible Preferred Stock, Series A (the Mandatory Convertible Preferred Stock), plus up to $225,000,000 of additional shares of our Mandatory Convertible Preferred Stock that the underwriters in such offering have the option to purchase from us solely to cover over-allotments, if any (the Mandatory Convertible Preferred Stock Offering or the Concurrent Offering). For a description of some of the expected terms of the Mandatory Convertible Preferred Stock, see Description of Mandatory Convertible Preferred Stock in this prospectus supplement. This prospectus supplement is not an offer to sell or a solicitation of an offer to buy the securities being offered in the Concurrent Offering. The completion of this offering is not contingent on completion of either the Concurrent Offering or the Merger and the completion of the Concurrent Offering is not contingent on the completion of either this offering or the Merger. In addition, the actual dollar amount of shares of common stock sold in this offering and under the forward sale agreements, and the actual dollar amount of Mandatory Convertible Preferred Stock sold in the Concurrent Offering, may differ from the assumed amounts reflected in this prospectus supplement.

Additional Financing. Subsequent to this offering and, if completed, the Concurrent Offering, we intend to initially finance the remaining portion of the Merger Consideration and related costs and expenses with the net proceeds from the issuance of our debt securities, commercial paper supported by our revolving credit facilities and borrowings under our revolving credit facilities, which we refer to as the initial Additional Financing, although we could also utilize cash on hand. We expect to ultimately fund approximately 65% of the total Merger Consideration with net proceeds from sales of our equity securities, although we may use cash on hand and proceeds from asset sales in place of some of this equity financing, and approximately 35% of the total Merger Consideration with net proceeds from the issuance of our debt securities, although some of the equity issuances necessary to achieve this 65% equity component will likely occur after the Merger to repay outstanding indebtedness, including indebtedness we expect to incur to initially finance the Merger Consideration and associated transaction costs. We anticipate that any such equity securities we issue after the Merger to repay indebtedness incurred to pay the Merger Consideration and related fees and expenses will be in the form of shares of our common stock, although we may also issue other types of equity securities. We may also use cash on hand and proceeds from asset sales to repay indebtedness initially incurred to pay a portion of the Merger Consideration and related fees and expenses. We refer to the initial Additional Financing, together with any such issuances of our equity securities and, if applicable, cash on hand, in each case applied to pay the Merger Consideration and related transaction costs or to repay indebtedness incurred to initially finance the Merger Consideration and related transaction costs, as, collectively, the Additional Financing. See Sources and Uses below. If and to the extent this offering and/or the Concurrent Offering are not completed or are completed for less proceeds than anticipated, then we expect to fund any shortfall with the proceeds from the Additional Financing. This offering, the Mandatory Convertible Preferred Stock Offering and the Additional Financing are sometimes referred to, collectively, as the Financing Transactions.

Transactions not Contingent. Completion of this offering is not contingent upon the completion of the Concurrent Offering or the Merger. Accordingly, even if the Merger or the other Financing Transactions do not

occur, the common stock issued upon settlement of any forward sale agreements will remain outstanding. Purchasers of our common stock in this offering should not place undue reliance on the pro forma and as adjusted information included and incorporated by reference in this prospectus supplement and the accompanying prospectus because this offering is not contingent upon the completion of any of the other transactions reflected in the adjustments included in that information and because the actual amount of proceeds we receive from the sale of shares pursuant to the forward sale agreements and from the Concurrent Offering and any Additional Financing may differ, perhaps substantially, from the amounts reflected in this prospectus supplement.

Completion of the Concurrent Offering is not contingent on the completion of this offering or the Merger. However, if the Merger is not completed on or before December 1, 2018 or if an Acquisition Termination Event occurs (which includes our determination in our reasonable judgment that the Merger will not occur), we will have the option of redeeming the Mandatory Convertible Preferred Stock, in whole but not in part, at a make-whole redemption price per share that includes a make-whole adjustment which could provide a redemption price that exceeds the anticipated public offering price of the Mandatory Convertible Preferred Stock of $100.00 per share plus accrued and unpaid dividends. In addition, if, as planned, we issue debt securities to finance a portion of the Merger Consideration and related costs and expenses, the terms of those debt securities may require that we redeem them, or we may elect to redeem them, if the Merger does not occur or events similar to an Acquisition Termination Event occur.

We cannot assure you that we will complete any of the Financing Transactions on the terms contemplated by this prospectus supplement or at all. Purchasers in this offering should not place undue reliance on the pro forma and as adjusted information included and incorporated by reference in this prospectus supplement and the accompanying prospectus because this offering is not contingent upon the completion of any of the other transactions reflected in the adjustments included in that information and because the actual amount of proceeds we receive from the sale of our common stock pursuant to the forward sale agreements and from the Concurrent Offering may differ, perhaps substantially, from the amounts reflected in this prospectus supplement.

Sources and Uses

The following table sets forth the assumed sources and uses of funds to pay the Merger Consideration and related fees and expenses. The table assumes that the Merger, this offering, the full physical settlement of the forward sale agreements, the Concurrent Offering and the initial Additional Financing are completed simultaneously, although this offering, the Concurrent Offering and the initial Additional Financing are expected to occur before completion of the Merger. In addition, although we expect to settle a portion of the forward sale agreements concurrently with, or prior to, the closing of the proposed Merger, we expect to settle the remaining portion of the forward sale agreements after the Merger, if completed, in multiple settlements on or prior to December 15, 2019. As a result, at the time that the Merger is completed, the actual amount of equity financing will be lower, and the actual amount of debt financing will be higher, than the amounts reflected in the table below. Based on the assumptions set forth under this caption Sources and Uses and the amounts set forth in the following table, on a pro forma basis, the initial financing used to pay the Merger Consideration and related fees and expenses would consist of approximately 42% equity and approximately 58% debt. However, we plan to ultimately repay some of the indebtedness we initially incur in connection with the Merger, if completed, with proceeds from the issue and sale of our common stock (including pursuant to the forward sale agreements) and, possibly, other equity securities, proceeds from asset sales and cash on hand, subsequent to the Merger.

Although we expect to settle the forward sale agreements entirely by full physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements, and it is possible that we may not receive any proceeds, or may be required to make payments or deliver shares of our common stock to the forward sellers, in connection with settlement of the forward sale agreements. In addition, the forward sale price is subject to

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adjustment pursuant to the forward sale agreements and the actual proceeds, if any, will be calculated as described in this prospectus supplement. As a result, the actual amount of cash we receive upon settlement of the forward sale agreements may be less, perhaps substantially, than the amount reflected in the following table or we may not receive any cash from that settlement. Information in the following table assumes no exercise by the underwriters in this offering or the Concurrent Offering of their options to purchase additional shares of our common stock and additional shares of our Mandatory Convertible Preferred Stock, respectively, to cover over-allotments, if any.

The following table assumes that we complete the Transactions on the terms and in accordance with the assumptions set forth under Unaudited Pro Forma Condensed Combined Financial Information in this prospectus supplement.

We intend to use the net proceeds from the sale of our common stock pursuant to the forward sale agreements and, if completed, the Concurrent Offering and the initial Additional Financing to finance the Merger Consideration and to pay related fees and expenses. However, if any of the Financing Transactions is not completed or the aggregate proceeds from the Financing Transactions are less than the amount we have assumed for purposes of the following table, we may be required to obtain additional financing, which we may not be able to obtain on terms that are acceptable to us, or at all.

All of the amounts in the following table are assumed and are presented for illustrative and informational purposes only. The information in the following table is based on numerous assumptions and estimates (including the assumptions described above) and is subject to other uncertainties and our actual sources and uses of financing may differ, perhaps substantially, from those reflected in the following table. In addition, the actual amount of proceeds we receive from the assumed full physical settlement of the forward sale agreements, the Concurrent Offering and the initial Additional Financing, the actual amount of fees and expenses (including discounts) payable in connection with the Transactions, and the relative mix of short-term and long-term debt included in the initial Additional Financing may differ, perhaps substantially, from the amounts reflected in the following table and elsewhere in this prospectus supplement. The following table reflects the assumptions of our management at the time that the unaudited pro forma condensed combined financial information included and incorporated by reference in the prospectus supplement and accompanying prospectus was initially prepared, and therefore does not purport to reflect the actual number of shares of common stock or Mandatory Convertible Preferred Stock, or the respective public offering prices of those shares, in this offering or the Concurrent Offering, if completed, the actual forward sale price of the shares or number of shares of our common stock that may be sold pursuant to the forward sale agreements, the actual size and terms of the initial Additional Financing, if obtained, or the relative mix of debt securities, commercial paper and revolving credit facility borrowings included in the initial Additional Financing. Accordingly, investors should not place undue reliance on the information in the following table or on our unaudited pro forma condensed combined financial information included and incorporated by reference in this prospectus supplement and the accompanying prospectus.

Sources of funds[1]			**Uses of funds**	
	(Dollars in millions)			
Common stock sales under forward sale agreements, assuming full physical settlement	$	2,500	Merger Consideration	$ 9,450
Mandatory Convertible Preferred Stock		1,500	Fees and expenses[2]	150
Initial Additional Financing:				
Long-term debt		5,000		
Short-term debt		600		

Total sources of funds	$ 9,600	**Total uses of funds**	$ 9,600

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(1) All dollar amounts in this column are calculated before deducting estimated underwriting discounts and other fees or expenses. In that regard, the initial sale price per share under the forward sale agreements will be an amount equal to the initial public offering price per share of our common stock in this offering less an amount per share (the forward sale discount) equal to the underwriting discount per share of our common stock in this offering, although the forward sale price is subject to adjustment as described in this prospectus supplement. The assumed dollar amount of gross proceeds from the sale of our common stock under forward sale agreements reflected in this column has been calculated before deducting the aggregate forward sale discount and assuming no such subsequent adjustment in the forward sale price.

(2) The assumed amount of fees and expenses includes (i) the assumed aggregate forward sale discount payable in connection with the forward sale agreements and (ii) the assumed underwriting discount payable in connection with the Concurrent Offering. In addition, the underwriters have agreed to reimburse us for certain expenses incurred in connection with this offering and the Concurrent Offering. See Underwriting (Conflicts of Interest). The amount of fees and expenses in this table reflects the assumed receipt of that reimbursement.

For more information, see Unaudited Pro Forma Condensed Combined Financial Information included and incorporated by reference in this prospectus supplement.

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The Offering

The following summary contains basic information about this offering. It does not contain all of the information that is important to you. You should read this prospectus supplement and the accompanying prospectus, the documents incorporated and deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus and any free writing prospectus we may provide you in connection with this offering carefully before making an investment decision.

As used in this section, references to Sempra Energy, we, us and our mean Sempra Energy excluding its subsidiaries and affiliates.

Issuer	Sempra Energy
Common stock offered by the forward sellers	$2,500,000,000 of shares (1)
Common stock that the underwriters have the option to purchase from Sempra Energy	$375,000,000 of shares
Common stock outstanding immediately before this offering	251,139,573 shares (2)
Common stock to be outstanding immediately after this offering, prior to any settlement of the forward sale agreements	251,139,573 shares (or 254,617,269 shares if the underwriters exercise their over-allotment option to purchase additional shares of our common stock in full) (2)
Common stock to be outstanding immediately after this offering and after settlement of the forward sale agreements, assuming full physical settlement	274,324,215 shares (or 277,801,911 shares if the underwriters exercise their over-allotment option to purchase additional shares of our common stock in full) (1)(2)
Use of Proceeds	We will not initially receive any proceeds from the sale of shares of our common stock offered in this offering, unless (i) an event occurs that requires us to sell such shares to the underwriters in lieu of the forward sellers selling such shares to the underwriters, or (ii) the underwriters exercise their over-allotment option to purchase additional shares of our

common stock, in which case we will sell all of the additional shares of our common stock covered by such option to the underwriters rather than requiring the forward sellers to borrow and sell such additional shares to the underwriters.

We estimate that the net proceeds to us from the sale of shares of our common stock in connection with this offering and pursuant to the forward sale agreements will be approximately $ billion (or approximately $ billion if the underwriters exercise their over-allotment option to purchase additional shares of our common stock directly from us in full), subject to certain adjustments pursuant to the forward sale agreements and assuming full physical settlement of the forward sale agreements. We will not receive any proceeds under the forward sale agreements on the closing date of this offering. We expect that the forward sale agreements will settle in multiple settlements on or prior to December 15, 2019.

The forward sale price is subject to adjustment pursuant to the forward sale agreements, and the actual proceeds are subject to settlement of the forward sale agreements. If the overnight bank funding rate decreases substantially prior to the settlement of the forward sale agreements, we may receive less than the initial forward sale price per share upon physical settlement of the forward sale agreements. Although we expect to settle the forward sale agreements entirely by the physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements. If we elect to cash settle the forward sale agreements, we would expect to receive an amount of net proceeds that is significantly lower than the estimate included under this caption, and we may not receive any net proceeds (or may owe cash, which could be a significant amount, to the forward purchasers). If we elect to net share settle the forward sale agreements in full, we would not receive any cash proceeds from the forward purchasers (and we may be required to deliver shares of our common stock to the forward purchasers). The forward sale agreements are also subject to acceleration by the forward purchasers upon the occurrence of certain events.

We intend to use the net proceeds that we receive from the sale of shares of our common stock pursuant to the forward sale agreements and, if applicable, upon any exercise by the underwriters of their option to purchase additional shares of our common stock directly from us, and, if completed, the Concurrent Offering and the initial Additional Financing to fund the Merger Consideration and to pay related fees and expenses or, in the case of any proceeds received from settlements under the forward sale agreements that occur after the closing of the proposed Merger, to repay indebtedness incurred to finance a portion of the cost of the proposed Merger and to pay related fees and expenses. See Recent Developments Proposed Acquisition of Energy Future Holdings Corp.

However, this offering is not contingent on the consummation of the Merger or the Concurrent Offering, and there can be no assurance that the Merger, the Concurrent Offering or any Additional Financing will be consummated on the terms described herein or at all. If for any reason the proposed Merger is not consummated on or prior to December 1, 2018, or the Merger Agreement is terminated at any time prior to such date, then we expect to use the net proceeds from the sale of shares of our common stock for general corporate purposes, which may include, in our sole discretion, voluntary redemption of the Mandatory Convertible Preferred Stock, if issued, debt repayment, including repayment of commercial paper, capital

	expenditures, investments and possibly repurchases of our common stock at the discretion of our board of directors. See Use of Proceeds. The Concurrent Offering is not contingent on the completion of the Merger or this offering, and there can be no assurance that the Concurrent Offering will be completed on the terms described herein or at all. See Use of Proceeds.
Concurrent Mandatory Convertible Preferred Stock Offering	Concurrently with this offering, we are offering, by means of a separate prospectus supplement, $1,500,000,000 of shares of our Mandatory Convertible Preferred Stock, plus up to an additional $225,000,000 of shares of our Mandatory Convertible Preferred Stock that the underwriters in the Mandatory Convertible Preferred Stock Offering have the option to purchase from us solely to cover over-allotments, if any, exercisable within 30 days from the date of the prospectus supplement for the Mandatory Convertible Preferred Stock Offering. For additional information, see Description of Mandatory Convertible Preferred Stock.
Material United States Federal Income Tax Considerations	Certain material United States Federal income tax considerations of purchasing, owning and disposing of our common stock are described in Material United States Federal Income Tax Considerations included in this prospectus supplement.
Transfer Agent and Registrar	The registrar and transfer agent for our common stock is American Stock Transfer & Trust Company, LLC.
Accounting treatment of the transaction	Before the issuance of shares of our common stock, if any, upon settlement of the forward sale agreements, we expect that the shares issuable upon settlement of the forward sale agreements will be reflected in our diluted earnings per share calculation using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of common stock that would be issued upon full physical settlement of the forward sale agreements over the number of shares of common stock that could be purchased by us in the market (based on the average market price of our common stock during the applicable reporting period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of shares of our common stock is

above the applicable adjusted forward sale price, which is initially $ per share, subject to increase or decrease based on the overnight bank funding rate, less a spread, and subject to decrease by amounts related

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	to expected dividends on shares of our common stock during the term of the forward sale agreements. However, if we decide to physically settle or net share settle the forward sale agreements, delivery of our shares to the forward purchasers on any such physical settlement or net share settlement of the forward sale agreements would result in dilution to our earnings per share.
Conflicts of Interest	All of the proceeds from the sale of shares of our common stock offered by the forward sellers in this offering (excluding proceeds, if any, paid to us with respect to any common stock that we may sell to the underwriters in lieu of the forward sellers selling such shares) will be paid to the forward purchasers. Because Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Barclays Capital Inc., or their affiliates, in their capacity as forward sellers, will receive more than 5% of the net proceeds of this offering, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Barclays Capital Inc. are deemed to have a conflict of interest within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc. (FINRA). Accordingly, this offering will be conducted in compliance with the applicable provisions of FINRA Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not required in connection with this offering, as the shares of our common stock have a bona fide public market (as defined in FINRA Rule 5121). In addition, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Barclays Capital Inc. may not make sales in this offering to any discretionary account without the prior written approval of the customer. See Use of Proceeds and Underwriting (Conflicts of Interest) for additional information.
Limitation on Common Stock Ownership	Applicable U.S. federal law generally prohibits (absent an appropriate authorization, approval or exemption) any person, together with its associates and affiliates, from acquiring an amount of our common stock which is sufficient to give them direct or indirect control over any of our U.S. public utility subsidiaries. Under applicable regulations and precedent, ownership of 10% or more of our outstanding common stock would be presumed to give a person control for that purpose. Accordingly, investors should consult their own legal advisors before acquiring shares of common stock in this offering if the acquisition of those shares would result in their owning more than 10% of our outstanding common stock or would otherwise give them direct or indirect control over any of our public utility subsidiaries. For additional information, see Risk Factors Risks Related to Our Common Stock As a result of the Federal Power Act and the U.S. Federal Energy Regulatory Commission s regulations of transfers of control over public utilities, certain investors could be required to obtain regulatory approval to acquire shares of our common stock.

Risk Factors	See Risk Factors in this prospectus supplement and the accompanying prospectus and other information incorporated by

reference in this prospectus supplement and the accompanying prospectus for a discussion of some of the risks and other factors you should carefully consider before deciding to invest in shares of our common stock.

On December 15, 2017, our board of directors declared a dividend of $0.8225 per share of our common stock payable on January 15, 2018 to shareholders of record as of the close of business on December 29, 2017. **Purchasers of shares of our common stock in this offering will not be entitled to receive the dividend payable on January 15, 2018 on the shares of common stock that they purchase in this offering.**

(1) The forward sellers have advised us that they intend to acquire shares of our common stock to be sold in this offering through borrowings from third-party stock lenders. Subject to the occurrence of certain events, we will not be obligated to deliver shares of our common stock, if any, under the forward sale agreements until later settlement of the forward sale agreements, which we expect will occur in multiple settlements on or prior to December 15, 2019. Except in certain circumstances, we have the right to elect cash settlement or net share settlement under the forward sale agreements. Although we intend to elect full physical settlement under the forward sale agreements, if we were to elect cash settlement or net share settlement, the number of shares we issue upon settlement of the forward sale agreements may be substantially less than the amount we would have issued upon full physical settlement, or we may not issue any shares upon such cash settlement or net share settlement. See Underwriting (Conflicts of Interest) Forward Sale Agreements for a description of the forward sale agreements.

(2) The number of shares of our common stock to be outstanding immediately after this offering, prior to any settlement of the forward sale agreements and assuming that the underwriters over-allotment option is exercised in full, is based on the number of shares of our common stock outstanding as of September 30, 2017 with certain exclusions as detailed below, and assumes that the public offering price will be $107.83 per share of common stock, which is equal to the last reported sale price of our common stock on the New York Stock Exchange appearing on the cover page of this prospectus supplement, and that we will receive $375.0 million of proceeds if the underwriters over-allotment option is exercised in full (before deducting discounts and expenses). A $15.0 million increase (decrease) in the assumed proceeds we receive if the underwriters over-allotment option is exercised in full would increase (decrease) the number of shares of common stock to be outstanding immediately after this offering, prior to any settlement of the forward sale agreements and assuming that the underwriters over-allotment option is exercised in full, by approximately 139,108 shares, assuming no change in the assumed public offering price per share. A $1.00 increase (decrease) in the assumed public offering price per share of our common stock would result in an approximately 31,955 share decrease or an approximately 32,554 share increase, respectively, in the number of shares to be outstanding immediately after this offering, prior to any settlement of the forward sale agreements and assuming that the underwriters over-allotment option is exercised in full, assuming no change in the assumed proceeds we receive if the underwriters over-allotment option is exercised in full.

The number of shares of our common stock to be outstanding immediately after this offering assuming full physical settlement of the forward sale agreements assumes that we will receive total proceeds of $2.5 billion from the sale of shares of our common stock pursuant to the forward sale agreements, that the forward sale price will be $107.83 per share of our common stock, which is equal to the last reported sale price of our common stock as set forth on the cover page of this prospectus supplement, and that we will receive an additional $375.0 million of proceeds if the underwriters over-allotment option is exercised in full assuming a public offering price of $107.83 per share of common stock (in each case before deducting discounts and expenses). A $100.0 million increase (decrease) in the assumed total proceeds we receive from the sale of shares of our common stock pursuant to the forward sale agreements (or a $115.0 million increase (decrease) in the assumed total proceeds if the underwriters over-allotment option is exercised in full) would increase (decrease) the number of shares of common stock to be outstanding immediately after this offering, assuming full physical settlement of the forward sale agreements, by approximately 927,386 shares (or approximately 1,066,494 shares if the underwriters over-allotment option is exercised in full), assuming no change in the assumed forward sale price or public offering price per share. A $1.00 increase (decrease) in the assumed forward sale price and public offering price per share of our common stock would result in an approximately 213,035 share decrease or an approximately 217,024 share increase, respectively, in the number of shares of our common stock to be outstanding immediately after this offering, assuming full physical settlement of the forward sale agreements (or an approximately 244,991 share decrease or an approximately 249,577 share increase, respectively, if the underwriters over-allotment option is exercised in full), assuming no change in the assumed total proceeds we receive from the sale of shares pursuant to the forward sale agreements or if the underwriters over-allotment option is exercised in full.

The number of shares of our common stock to be outstanding immediately (i) before this offering, (ii) after this offering, prior to any settlement of the forward sale agreements, and (iii) after this offering, assuming full physical settlement of the forward sale agreements is based on 251,139,573 shares of our common stock outstanding as of September 30, 2017, and excludes:

(a) up to shares of our common stock (including up to shares of our common stock if the underwriters in the Mandatory Convertible Preferred Stock Offering exercise their over-allotment option to purchase additional shares of Mandatory Convertible Preferred Stock in full) that would initially be issuable

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upon conversion of Mandatory Convertible Preferred Stock issued in the Mandatory Convertible Preferred Stock Offering, if completed, in each case assuming mandatory conversion based on an applicable market value of our common stock equal to the threshold appreciation price of $ (which is approximately % above the price at which the shares of our common stock are being offered by this prospectus supplement and the accompanying prospectus) subject to anti-dilution, make-whole and other possible adjustments;

(b) (i) 232,951 shares of our common stock reserved for issuance upon exercise of stock options outstanding as of September 30, 2017, (ii) 304,892 shares of our common stock reserved for issuance upon vesting of our time based restricted stock units (including reinvested dividends) outstanding as of September 30, 2017, (iii) 3,630,438 shares of our common stock reserved for issuance upon the vesting of our performance based restricted stock units (including reinvested dividends), assuming the maximum payout was achieved, outstanding as of September 30, 2017 under our various equity compensation plans, and (iv) shares reserved for issuance upon the vesting of any awards we may have issued under such plans subsequent to September 30, 2017;

(c) any additional shares of common stock we may issue from and after January , 2018 through final settlement of the forward sale agreements; and

(d) any additional shares we have issued or may issue under our dividend reinvestment program, direct stock purchase plan or 401(k) savings plans subsequent to September 30, 2017.

Under our dividend reinvestment program, direct stock purchase plan and 401(k) savings plans, we are currently delivering newly issued shares of our common stock to settle shares purchased under those plans. Over the 12 months ended September 30, 2017, approximately 856,000 shares of our common stock were issued in connection with those plans. The number of additional shares issued under those plans going forward is dependent on whether Sempra Energy continues to deliver newly issued shares under these plans, Sempra Energy s stock price and the elections by plan participants to purchase Sempra Energy common stock in the future.

The number of shares of our common stock to be outstanding immediately after this offering, prior to any settlement of the forward sale agreements, also assumes no event will occur that would require us to sell shares of our common stock to the underwriters in lieu of the forward sellers selling shares of our common stock to the underwriters. If such an event occurs, (i) the number of shares of our common stock to be outstanding immediately after the offering would be increased by such number of shares and (ii) the number of shares of our common stock issuable pursuant to physical settlement of the forward sale agreements would be reduced by such number of shares.

RISK FACTORS

Investment in our common stock involves risks. You should carefully consider the risks described below and the risk factors incorporated into this prospectus supplement and the accompanying prospectus by reference to our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q and all other information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, as well as any free writing prospectus we may provide you in connection with this offering, before acquiring any of our common stock. The occurrence of any of these risks might cause you to lose all or part of your investment in the shares. See also Forward-Looking Statements and Market Data. In particular, you should review the information appearing in Part II of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 under the caption Item 1A. Risk Factors, which discusses some of the risks we face in connection with the proposed Merger and Financing Transactions, as well as the information appearing in our Current Report on Form 8-K filed with the SEC on December 15, 2017, which discusses certain ring-fencing measures and other regulatory commitments and governance mechanisms under the Stipulation. In that regard, unless otherwise expressly stated or the context otherwise requires, references to our equity securities or debt securities that appear under such caption of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 include, without limitation, the common stock offered hereby, the Mandatory Convertible Preferred Stock being offered in the Concurrent Offering and any commercial paper or other debt or equity securities that may be offered or sold in the Additional Financing.

Risks Related to Our Common Stock

The price of our common stock may be volatile. This volatility may affect the price at which you could sell our common stock, and the sale of substantial amounts of our common stock could adversely affect the market price of our common stock.

The market price for our common stock has historically experienced, and may continue to experience, volatility. This volatility may affect the price at which you could sell our common stock, and the sale or issuance of substantial amounts of our common stock, or the perception that such sales or issuances could occur, could adversely affect the market price of our common stock. In addition, the availability for sale of substantial amounts of our common stock could adversely impact its market price. In that regard, if we issue shares of Mandatory Convertible Preferred Stock in the Concurrent Offering, the issuance or sale of those shares or substantial amounts of our common stock upon conversion of our Mandatory Convertible Preferred Stock or the payment of dividends on the Mandatory Convertible Preferred Stock in the form of shares of our common stock, or the perception that such issuances, sales or dividends could occur, could adversely affect the market price of our common stock. Likewise, our issuance of shares of common stock upon the settlement of the forward sale agreements in the future may have a similar effect. Any of the foregoing may also impair our ability to raise additional capital through the sale of our equity securities. The market price of our common stock may be influenced by many factors, some of which are beyond our control, including the factors discussed above under Forward-Looking Statements and Market Data or elsewhere in this Risk Factors section and the following:

- actual or anticipated fluctuations in our operating results or our competitors or peers operating results;

- actions by applicable regulatory authorities, including the California Public Utilities Commission and the Public Utility Commission of Texas;

announcements by us, our competitors or our partners of significant contracts, acquisitions, divestitures or strategic investments;

our growth rate and our competitors or peers growth rates;

the financial markets and general economic conditions;

changes in stock market analyst recommendations regarding us, our competitors, our peers or the energy infrastructure, gas and electricity services industries generally, or lack of analyst coverage of our common stock;

sales of our common stock by our executive officers, directors and significant shareholders or sales of substantial amounts of our common stock or securities convertible into or exchangeable for our common stock, which may include sales of our common stock or any convertible or exchangeable securities that we may make as part of the Additional Financing;

changes in the amount of our common stock dividends per share, the common stock dividends per share paid by our competitors and interest rates; and

changes in tax laws and regulations; see Recent U.S. tax legislation may materially adversely affect our financial condition, results of operations and cash flows, the value of investments in our common stock, Mandatory Convertible Preferred Stock, if issued, and debt securities, and our credit ratings.

In addition, fluctuations in yield rates may give rise to arbitrage opportunities based upon changes in the relative values of our Mandatory Convertible Preferred Stock, if issued, and our common stock. Any such arbitrage could, in turn, affect the market price of our Mandatory Convertible Preferred Stock, if issued, and our common stock.

We expect that we will need to raise additional capital, and raising additional funds by issuing additional equity securities or with additional debt financing may cause dilution to shareholders or restrict our operations.

We expect that we will need to raise additional capital in the future, including the debt we plan to incur to initially finance part of the Merger Consideration and related transaction costs and the common stock and any other equity securities we plan to issue subsequent to the closing of the Merger to repay indebtedness, including indebtedness incurred to finance the Merger Consideration and related transactions costs initially. We may also require additional funds to make the additional equity investment in Oncor following the Merger as required by the Stipulation. See Summary Information Recent Developments. We may raise additional funds through public or private equity or debt offerings or other financings, as well as additional borrowings under our credit facilities. Additional issuances of equity securities, including shares of our common stock, or debt or other securities that are convertible into or exchangeable for, or that represent the right to receive, common stock, including our Mandatory Convertible Preferred Stock, could dilute the economic and other rights and interests of holders of shares of our common stock and cause the market price of our common stock to decline.

Any new debt financing we enter into may involve covenants that restrict our operations more than our current outstanding debt and credit facilities. These restrictive covenants could include limitations on additional borrowings, and specific restrictions on the use of our assets, as well as prohibitions or limitations on our ability to create liens, pay dividends, receive distributions from our subsidiaries, redeem or repurchase our stock or make investments. These factors could hinder our access to capital markets and limit or delay our ability to carry out our capital expenditure program.

Anti-takeover provisions in our organizational documents might discourage, delay or prevent changes in control of our company and may result in an entrenchment of management and diminish the value of our common stock.

Certain provisions of our articles of incorporation and bylaws could have the effect of delaying, deterring or preventing another party from acquiring or seeking to acquire control of us. These provisions are intended to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage anyone seeking to acquire control of us to negotiate first with our board of directors. However, these provisions could also delay, deter or prevent a change of control or other takeover of our company that our shareholders might consider to be in their best interests, including transactions that might result in a premium being paid over the market prices of our common stock and Mandatory Convertible Preferred Stock, and may also limit the prices that investors are willing to pay in the future for our common stock and Mandatory Convertible Preferred Stock.

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These provisions may also have the effect of preventing changes in our management. Our articles of incorporation and bylaws include anti-takeover provisions that:

- authorize our board of directors, without a vote or other action by our shareholders, to cause the issuance of preferred stock in one or more series and, with respect to each series, to fix the number of shares constituting that series and to establish the rights, preferences, privileges and restrictions of that series, which may include, among other things, dividend and liquidation rights and preferences, rights to convert such shares into common stock, voting rights and other rights which may adversely affect the voting or other rights and the economic interests of holders of our common stock and Mandatory Convertible Preferred Stock, if issued;
- establish advance notice requirements and procedures for shareholders to submit nominations of candidates for election to our board of directors and to propose other business to be brought before a shareholders meeting;
- provide that vacancies in our board of directors, including vacancies created by the removal of any director, may be filled by a majority of the directors then in office or by the sole remaining director;
- provide that no shareholder may cumulate votes in the election of directors, which means that the holders of a majority of our outstanding shares of common stock can elect all directors standing for election by our common shareholders;
- require that any action to be taken by our shareholders must be taken either (1) at a duly called annual or special meeting of shareholders or (2) by the unanimous written consent of all of our shareholders, unless our board of directors, by resolution adopted by two-thirds of the authorized number of directors, waives the foregoing provision in any particular circumstance; and
- require action by shareholders holding not less than 1/10th of the voting power of our capital stock in order for our shareholders to call a special meeting of shareholders.

In addition, certain terms of the Mandatory Convertible Preferred Stock, if issued, may have anti-takeover effects, including customary make-whole provisions that will, under certain circumstances, result in increased amounts of cash and/or common stock owing upon conversion by holders of the Mandatory Convertible Preferred Stock who convert early in connection with certain transactions involving us, including a cash acquisition.

This offering is not contingent upon the completion of the Merger. If the Merger is not completed, we will have broad discretion on the use of the net proceeds of this offering.

This offering is not contingent upon the completion of the Merger. Accordingly, your purchase of our common stock in this offering may be an investment in Sempra Energy on a stand-alone basis without any of the assets of EFH, including its indirect investment in Oncor, or anticipated benefits of the Merger. We will have broad discretion to use the net proceeds of this offering if the Merger does not occur. If the Merger does not occur, we expect to use the net proceeds from the settlement of shares of our common stock for general corporate purposes, which may include voluntary redemption of the Mandatory Convertible Preferred Stock, if issued, debt repayment, including repayment of commercial paper, capital expenditures, investments, and possibly repurchases of our common stock at the discretion of our board of directors. See Use of Proceeds.

We may be unable to, or may choose not to, continue to pay dividends on our common stock or, if issued, the Mandatory Convertible Preferred Stock at current or planned rates or at all.

Any future payments of cash dividends, and the amount of any cash dividends we pay, on our common stock and on any Mandatory Convertible Preferred Stock we may issue in the Concurrent Offering will depend on, among other things, our financial condition, capital requirements and results of operations, and the ability of our subsidiaries and investments to distribute cash to us, as well as other factors that our board of directors may consider relevant. If we were to reduce the amount of cash dividends per share payable on our common stock, fail to increase the amount of those cash dividends per share in the future or cease paying those cash dividends altogether, it would likely have an adverse impact on the market price of our common stock and any Mandatory Convertible Preferred Stock we may issue. Likewise, any failure to pay scheduled dividends on our Mandatory Convertible Preferred Stock when due would likely have a material adverse impact on the market price of our Mandatory Convertible Preferred Stock, our common stock and our debt securities and would prohibit us, under the anticipated terms of the Mandatory Convertible Preferred Stock, from paying cash dividends on or repurchasing shares of our common stock (subject to limited exceptions) until such time as we have paid all accumulated and unpaid dividends on the Mandatory Convertible Preferred Stock.

In addition, under California law, our board of directors (or an authorized committee thereof) may not declare and pay dividends on shares of our common stock or Mandatory Convertible Preferred Stock unless it has determined in good faith that either (1) the amount of our retained earnings immediately prior to the dividend equals or exceeds the sum of (A) the amount of the proposed dividend plus (B) cumulative dividends in arrears on all shares of our capital stock having a preference with respect to payment of dividends over our common stock or the Mandatory Convertible Preferred Stock, as the case may be (the preferential rights amount) or (2) immediately after the dividend, the value of our assets would equal or exceed the sum of our total liabilities plus the preferential rights amount. Further, even if we are permitted under our contractual obligations and California law to declare and pay cash dividends on the shares of common stock and Mandatory Convertible Preferred Stock, we may not have sufficient cash to declare and pay dividends in cash on the outstanding shares of our common stock and Mandatory Convertible Preferred Stock.

Holders of Mandatory Convertible Preferred Stock, if issued, will have the right to elect two directors in the event of certain dividends arrearages.

If dividends on any shares of our Mandatory Convertible Preferred Stock, if issued, have not been declared and paid or set apart for payment for the equivalent of six or more quarterly dividend periods, whether or not consecutive, the authorized number of directors on our board of directors will automatically increase by two and the holders of the Mandatory Convertible Preferred Stock, voting together as a class with the holders of any other series of our preferred stock that may also be entitled to vote in the election of such directors, will be entitled to elect such two additional directors, subject to specified requirements. This will dilute the representation of our common shareholders on our board of directors and may adversely affect the market price of our common stock.

Sempra Energy s ability to pay dividends and to meet its debt obligations largely depends on the performance of its subsidiaries and the ability to utilize the cash flows from those subsidiaries.

Sempra Energy is a holding company substantially all of whose assets are owned by its subsidiaries. Sempra Energy s ability to pay dividends and meet its debt and other obligations depends almost entirely on cash flows from its subsidiaries and joint ventures and other entities in which it has invested and, in the short term, its ability to raise capital from external sources. In the long term, cash flows from the subsidiaries and the joint ventures and other entities in which we have invested depend on their ability to generate operating cash flows in excess of their own expenditures, common and preferred stock dividends (if any), and debt or other obligations. In addition, the subsidiaries are separate and distinct legal entities that are not obligated to pay dividends or make loans or distributions to Sempra Energy, whether to enable Sempra Energy to pay dividends on its common stock and any Mandatory Convertible Preferred Stock it may issue or for paying principal and interest on its debt securities or for paying its other obligations, and could be precluded from paying any such dividends or making any such loans or distributions under certain circumstances, including, without limitation, as a result of legislation, regulation, court order, contractual restrictions or in times of financial distress.

In that regard, pursuant to agreements related to the proposed Merger, existing governance mechanisms, commitments made by Sempra Energy as part of its application to the PUCT for approval of the Merger and the Stipulation, Sempra Energy has committed to certain ring-fencing measures to enhance Oncor s separateness

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from its owners, and to mitigate the risk that Oncor would be negatively impacted in the event of a bankruptcy or other adverse financial developments affecting its owners, including Sempra Energy. These measures provide, among other things, that Oncor may not, unless otherwise allowed by the PUCT, pay dividends or make other payments (except for contractual tax payments) if that payment would cause its debt-to-equity ratio to exceed the ratio required by the PUCT or if the credit rating on Oncor s senior secured debt securities by any of the three major rating agencies falls below BBB (or the equivalent). Moreover, because Sempra Energy will not control Oncor and a majority of Oncor s board of directors will be independent, Sempra Energy will not be able to control the payment of dividends by Oncor and Sempra Energy has further agreed that Oncor will not pay any dividends or make any other distributions (except for contractual tax payments) if a majority of Oncor s independent directors determines that it is in the best interest of Oncor to retain such funds to meet expected future requirements. In addition, the PUCT has approved the modification of Oncor s required regulatory capital structure from a debt-to-equity ratio of 60% debt to 40% equity to a ratio of 57.5% debt to 42.5% equity. This modification, which became effective November 27, 2017, will likely require Oncor to take certain actions to raise its equity percentage, including, but not limited to, reducing or eliminating dividends, and will likely require capital contributions by Sempra Energy. In addition, pursuant to the Stipulation, Sempra Energy has agreed to make, within 60 days after the Merger, its proportionate share (i.e., 80.03%) of the aggregate equity investment in Oncor in an amount necessary for Oncor to raise the equity component of its regulatory capital structure to 42.5%. For additional information, see our Current Report on Form 8-K filed with the SEC on December 15, 2017 and incorporated herein by reference, which may be obtained under Where You Can Find More Information in the accompanying prospectus. In addition, Sempra Energy and Oncor are continuing to engage in settlement discussions with the remaining stakeholders in the PUCT proceeding regarding the Joint Application, and it is possible that Sempra Energy may be required to agree to additional commitments and restrictions in order to successfully conclude those discussions.

A significant portion of our worldwide cash reserves are generated by, and therefore held in, foreign jurisdictions. Some jurisdictions impose taxes on cash transferred to the United States, and the United States may also require us to pay tax on any such transferred cash, which could reduce the cash available to us. To the extent we have excess cash in foreign locations that could be used in, or is needed by, our United States operations, we may incur significant U.S. and foreign taxes to repatriate these funds.

As a result of the Federal Power Act and the U.S. Federal Energy Regulatory Commission s regulations of transfers of control over public utilities, certain investors could be required to obtain regulatory approval to acquire shares of our common stock.

Several of our subsidiaries are public utilities (as defined in the Federal Power Act (the FPA)) subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) because they own or operate FERC-jurisdictional facilities, including transmission facilities, certain generation interconnection facilities, and various paper facilities, such as wholesale power sales contracts and market-based rate tariffs. The FPA requires us either to obtain prior authorization, through our public utility subsidiaries, from FERC prior to the transfer of an amount of our common stock sufficient to convey direct or indirect control over any of our public utility subsidiaries or to qualify for a blanket authorization granted under FERC s regulations for certain types of transfers generally deemed by FERC not to convey direct or indirect control. At the same time, if any person and any of its associate or affiliate companies in the aggregate, any public utility (as defined in the FPA), or any holding company (as defined in the Public Utility Holding Company Act of 2005) acquires an amount of our common stock sufficient to convey direct or indirect control over any of our public utility subsidiaries, that acquirer would either need to obtain prior authorization for such acquisition from FERC or to qualify for a blanket authorization under FERC s regulations. Under FERC s regulations and applicable precedent, ownership of 10% or more of our common stock would be presumed to give that owner control absent rebuttal of that presumption. Accordingly, investors should consult their own legal advisors before acquiring shares of common stock in this offering if the acquisition of these shares would result in their owning more than 10%

of our outstanding common stock or would otherwise give them direct or indirect control over any of our public utility subsidiaries.

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Recent U.S. tax legislation may materially adversely affect our financial condition, results of operations and cash flows, the value of investments in our common stock, Mandatory Convertible Preferred Stock, if issued, and debt securities, and our credit ratings.

Recently enacted U.S. tax legislation will significantly change the U.S. Internal Revenue Code, including taxation of U.S. corporations, by, among other things, limiting interest deductions, reducing the U.S. corporate income tax rate, altering the expensing of capital expenditures, adopting elements of a territorial tax system, assessing a repatriation tax or toll-charge on undistributed earnings and profits of U.S.-owned foreign corporations, and introducing certain anti-base erosion provisions. The legislation is unclear in certain respects and will require interpretations and implementing regulations by the Internal Revenue Service (IRS), as well as state tax authorities, and the legislation could be subject to potential amendments and technical corrections, any of which could lessen or increase certain adverse impacts of the legislation. In addition, the regulatory treatment of the impacts of this legislation will be subject to the discretion of the FERC and state public utility commissions.

While our analysis and interpretation of this legislation is preliminary and ongoing, based on our current evaluation, we expect that the limitations on interest deductions will negatively impact our earnings per share, and that the reduction of the U.S. corporate income tax rate will require a write-down of our deferred income tax assets (including the value of our net operating loss carryforwards) resulting in a material noncash charge against earnings in the fourth quarter of 2017, the period in which the tax legislation was enacted, which may be subject to further adjustment in subsequent periods throughout 2018 in accordance with recent interpretive guidance issued by the SEC. In addition, although it is unclear when or how capital markets, credit rating agencies, the FERC or state public utility commissions may respond to this legislation, we do expect that certain financial metrics used by credit rating agencies, such as our funds from operations-to-debt percentage, could be negatively impacted as a result of certain limitations on tax deductions and an anticipated decrease in required income tax reimbursement payments to us from our domestic utility subsidiaries. Further, there may be other material adverse effects resulting from the legislation that we have not yet identified.

We believe that interpretations and implementing regulations by the IRS, as well as potential amendments and technical corrections, could result in lessening the negative impacts of certain aspects of this legislation, including some of the adverse impacts resulting from the limitations on interest deductions (the proper interpretation of which is still unclear), although there can be no assurance that this will occur or that interpretations, regulations, amendments and technical corrections will not exacerbate some of the negative impacts of the legislation. In addition, we believe we should be able to take actions to manage some of the anticipated adverse impacts of the legislation (other than the write-down of our deferred income tax assets) over the next several years, including through repatriation of undistributed non-U.S. earnings, adjusting the timing of capital expenditures, and possible redeployment of capital through sales or monetizations of assets to reduce our future use of debt financing to fund our capital requirements, although there can be no assurance in this regard. It is also uncertain how credit rating agencies will treat the impacts of this legislation on their credit ratings and metrics, and whether additional avenues will evolve for companies to manage the adverse aspects of this legislation. We believe that these actions, to the extent available and if successfully applied, could lessen the negative impacts on certain credit metrics, such as our funds from operations-to-debt percentage, although there can be no assurance in this regard.

If we are unable to successfully take actions to manage the adverse impacts of the new tax legislation, or if additional interpretations, regulations, amendments or technical corrections exacerbate the adverse impacts of the legislation, the legislation could have a material adverse effect on our financial condition, results of operations and cash flows and on the value of investments in our common stock, Mandatory Convertible Preferred Stock, if issued, and debt securities, and could result in credit rating agencies placing our credit ratings on negative outlook or downgrading our credit ratings. Any such actions by credit rating agencies may make it more difficult and costly for us to issue debt securities and certain other types of financing and could increase borrowing costs under our credit facilities.

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Certain credit rating agencies may downgrade our credit ratings or place those ratings on negative outlook, which may adversely affect the market price of our common stock, Mandatory Convertible Preferred Stock, if issued, and debt securities.

As described under Summary Information Recent Developments Proposed Acquisition of Energy Future Holdings Corp., on December 20, 2017, Moody s placed Sempra Energy s credit ratings on negative outlook. Moody s indicated that this action was triggered by our having entered into the Stipulation with the staff of the PUCT and other key stakeholders, which Moody s described as a significant milestone in our attaining regulatory approval for the Merger. In addition, Moody s indicated that a downgrade of our credit ratings over the 12 to 18 months after December 20, 2017 is likely if they anticipate that our consolidated credit metrics will remain weak, relative to our current credit rating, beyond 2019, specifically if our consolidated ratio of cash flow from operations before changes in working capital to debt remains below 18% (assuming successful completion of the Merger) for an extended period of time. Moody s also indicated that a downgrade could also be considered if there is a further delay in the completion of our Cameron LNG project. Likewise, Standard & Poor s has indicated that it could downgrade its rating of Sempra Energy s senior unsecured debt securities within 12 months following October 9, 2017 if we do not complete the Merger or if the aggregate indebtedness of our subsidiaries continues to exceed 50% of our consolidated debt. Moody s also issued a public comment on December 20, 2017 regarding recent wildfires in northern California and Ventura County, California indicating that the December 6, 2017 decision issued by the CPUC denying SDG&E s request to recover approximately $379 million of pretax costs associated with the 2007 wildfires (based on the CPUC s finding that SDG&E did not reasonably operate the facilities involved in the wildfires) is credit negative for SDG&E, for Sempra Energy and for other California utilities seeking to recover costs from wildfires. Moody s further indicated that it may reassess its view of the California regulatory framework if it determines that the credit supportiveness of California s regulatory environment has weakened (including as a result of the CPUC s discretion in denying recovery of wildfire costs), which would also be credit negative and could lead to a downgrade of the credit ratings of California investor-owned utilities, including SDG&E, or those ratings being placed on negative outlook. Also, as described in the preceding risk factor, recently enacted U.S. tax legislation could materially adversely affect our credit ratings. The negative outlook by Moody s, any downgrade of our credit ratings by Standard & Poor s, Fitch Ratings, Moody s or any other rating agency, or any additional negative outlook on our credit ratings may adversely affect the market price of our common stock and our debt securities and, if issued, our Mandatory Convertible Preferred Stock and could make it more costly for us to issue debt securities, to borrow under our credit facilities and to raise certain other types of financing.

Risks Related to the Merger

Sempra Energy expects to incur significant additional indebtedness in connection with the Merger. As a result, it may be more difficult for Sempra Energy to pay or refinance its debts or take other actions, and Sempra Energy may need to divert cash to fund debt service payments.

As discussed herein, Sempra Energy expects to incur significant additional indebtedness to finance the Merger Consideration and related transaction costs. Moreover, although Sempra Energy currently plans to fund a significant portion of the Merger Consideration through sales of its equity securities, to the extent it is unable to do so the amount of indebtedness it will incur to finance the Merger and associated transaction costs will likely increase, perhaps substantially. The increase in Sempra Energy s debt service obligations resulting from this additional indebtedness could have a material adverse effect on the results of operations, financial condition and prospects of the combined company.

Sempra Energy s increased indebtedness could:

make it more difficult and/or costly for Sempra Energy to pay or refinance its debts as they become due, particularly during adverse economic and industry conditions, because a decrease in revenues or increase in costs could cause cash flow from operations to be insufficient to make scheduled debt service payments;

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limit Sempra Energy s flexibility to pursue other strategic opportunities or react to changes in its business and the industry sectors in which it operates and, consequently, put Sempra Energy at a competitive disadvantage to its competitors that have less debt;

require a substantial portion of Sempra Energy s available cash to be used for debt service payments, thereby reducing the availability of its cash to fund working capital, capital expenditures, development projects, acquisitions, dividend payments and other general corporate purposes, which could harm Sempra Energy s prospects for growth and the market price of its common stock, Mandatory Convertible Preferred Stock and debt securities, among other things;

result in a downgrade in the credit ratings on Sempra Energy s indebtedness (including as a result of actions by Moody s or Standard & Poor s as described above under Certain credit rating agencies may downgrade our credit ratings or place those ratings on negative outlook, which may adversely affect the market price of our common stock, our Mandatory Convertible Preferred Stock, if issued, and debt securities), which could limit Sempra Energy s ability to borrow additional funds, increase the interest rates under its credit facilities and under any new indebtedness it may incur, and reduce the trading prices of its outstanding debt securities, common stock and Mandatory Convertible Preferred Stock;

make it more difficult for Sempra Energy to raise capital to fund working capital, make capital expenditures, pay dividends, pursue strategic initiatives or for other purposes;

result in higher interest expense in the event of increases in interest rates on Sempra Energy s current or future borrowings subject to variable rates of interest; and

require that additional materially adverse terms, conditions or covenants be placed on Sempra Energy under its debt instruments, which covenants might include, for example, limitations on additional borrowings and specific restrictions on uses of our assets, as well as prohibitions or limitations on our ability to create liens, pay dividends, receive distributions from our subsidiaries, redeem or repurchase our stock or make investments, any of which could hinder our access to capital markets and limit or delay our ability to carry out our capital expenditure program.

Based on the current and expected results of operations and financial condition of Sempra Energy and its subsidiaries and the currently anticipated financing structure for the Merger, Sempra Energy believes that its cash flow from operations, together with the proceeds from borrowings, issuances of equity and debt securities in the capital markets, distributions from its equity method investments, project financing and equity sales (including tax equity and partnering in joint ventures) will generate sufficient cash on a consolidated basis to make all of the principal and interest payments when such payments are due under Sempra Energy s and its current subsidiaries existing credit facilities, indentures and other instruments governing their outstanding indebtedness and under the indebtedness anticipated to be incurred to fund the Merger Consideration. However, Sempra Energy s expectation is subject to numerous estimates, assumptions and uncertainties, and there can be no assurance that Sempra Energy will be able to make such payments of principal and interest or repay or refinance such borrowings and obligations when due. Oncor and its subsidiaries will not guarantee any indebtedness of Sempra Energy or any of its other subsidiaries, nor will any of them have any obligation to provide funds (nor will we have any ability to require them to provide funds), whether in the form of dividends, loans or otherwise, to enable Sempra Energy to pay dividends on its common stock or

Mandatory Convertible Preferred Stock or Sempra Energy and its other subsidiaries to make required debt service payments, particularly in light of the ring-fencing arrangements described above under Summary Information Recent Developments and Sempra Energy s ability to pay dividends and to meet its debt obligations largely depends on the performance of its subsidiaries and the ability to utilize cash flows from those subsidiaries and in our Current Report on Form 8-K filed with the SEC on December 15, 2017. As a result, the Merger will substantially increase Sempra Energy s debt service obligations without any assurance that Sempra Energy will receive any cash from Oncor or any of its subsidiaries to assist Sempra Energy in servicing its indebtedness, paying dividends on its common stock and Mandatory Convertible Preferred Stock or meeting other cash needs.

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Sempra Energy is committed to maintaining its credit ratings at investment grade. To maintain these credit ratings, Sempra Energy may consider it appropriate to reduce the amount of its indebtedness outstanding following the Merger. Sempra Energy may seek to reduce this indebtedness with the proceeds from the issuance of additional shares of common stock and, possibly, other equity securities, cash on hand and proceeds from asset sales, which may dilute the voting rights and economic interests of holders of Sempra Energy s common stock. However, the ability of Sempra Energy to raise additional equity financing after completion of the Merger will be subject to market conditions and a number of other risks and uncertainties, including whether the results of operations of the combined company meet the expectations of investors and securities analysts. There can be no assurance that Sempra Energy will be able to issue additional shares of its common stock or other equity securities after the Merger on terms that it considers acceptable or at all, or that Sempra Energy will be able to reduce the amount of its outstanding indebtedness after the Merger, should it elect to do so, to a level that permits it to maintain its investment grade credit ratings.

We expect that the actual amount of indebtedness we incur initially to finance a portion of the Merger Consideration and related costs and expenses will be greater than the amount reflected in this prospectus supplement and the unaudited pro forma condensed combined financial information included and incorporated by reference herein.

We expect that the amount of indebtedness we incur initially to finance a portion of the Merger Consideration and related fees and expenses will be higher than the amount reflected under the captions Summary Information Recent Developments Sources and Uses and Unaudited Pro Forma Condensed Combined Financial Information in this prospectus supplement. This is because the information under those captions reflects our assumed receipt of all of the net proceeds from the full physical settlement of the forward sale agreements. Although we expect to settle a portion of the forward sale agreements concurrently with, or prior to, the closing of the proposed Merger, we expect to settle the remaining portion of the forward sale agreements after the Merger, if completed, in multiple settlements on or prior to December 15, 2019. As a result, we expect that, at the time that the Merger is completed, the actual amount of proceeds that we will have received from sales of shares of our common stock pursuant to the forward sale agreements will be lower, and the amount of debt we will have incurred to pay the Merger Consideration and related fees and expenses will be higher, than the respective amounts reflected under those captions.

The unaudited pro forma condensed combined financial information included and incorporated by reference in this prospectus supplement and the accompanying prospectus is presented for illustrative purposes only and does not purport to represent what the financial position or results of operations of the combined company would have been had the Transactions been completed on the dates assumed for purposes of that pro forma information, nor does it represent the actual financial position or results of operations of the combined company following the Transactions, if consummated.

The unaudited pro forma condensed combined financial information contained and incorporated by reference in this prospectus supplement and the accompanying prospectus is presented for illustrative purposes only, is based on numerous adjustments, assumptions and estimates, is subject to numerous other uncertainties and does not purport to reflect what the combined company s financial position or results of operations would have been had the Transactions been completed as of the dates assumed for purposes of that pro forma financial information, nor does it reflect the financial position or results of operations of the combined company following the Transactions, if consummated.

The unaudited pro forma condensed combined financial information reflects the assumptions of our management at the time that the unaudited pro forma condensed combined financial information was initially prepared, and therefore does not reflect the actual amount of proceeds we will receive pursuant to the forward sale agreements, or, if completed, from the Concurrent Offering or Additional Financing, the number of shares of common stock or Mandatory Convertible Preferred Stock or the respective public offering prices of those shares in this offering or the

Concurrent Offering, the actual number or forward sale price of the shares of our common stock that may be sold pursuant to the forward sale agreements, the actual dividend rate on, or the actual number of shares of our common stock issuable on conversion of, the Mandatory Convertible Preferred Stock, the actual interest rates on the initial Additional Financing, or the actual amount of fees and expenses and underwriting and forward sale discounts we will pay in connection with the Transactions. Therefore, the actual amount of net proceeds from the respective Financing Transactions may differ, perhaps substantially, from the amounts reflected in the unaudited pro forma condensed combined financial information, and other actual amounts may vary, perhaps substantially, from the assumed amounts set forth in the unaudited pro forma condensed combined financial information. For example, if the number of shares we actually issue upon settlement of the forward sale agreements and in the Concurrent Offering exceeds the number of shares we have assumed for the purposes of the unaudited pro forma condensed combined financial information, this would reduce, perhaps substantially, the amount of pro forma earnings per share reflected in such information.

In addition, as described in the immediately preceding risk factor, we expect that, at the time of the consummation of the Merger, the amount of indebtedness we initially incur to pay the Merger Consideration and related fees and expenses will be greater, and the amount of proceeds we receive from the sale of our common stock pursuant to the forward sale agreements will be less, than the respective amounts we have assumed for the purposes of the unaudited pro forma condensed combined financial information.

For purposes of the unaudited pro forma condensed combined financial information, the estimated Merger Consideration has been preliminarily allocated to the identifiable assets acquired and liabilities assumed based on limited information presently available to estimate fair values. The Merger Consideration will be allocated among the relative fair values of the identifiable assets acquired and liabilities assumed based on their estimated fair values as of the date of the Merger. The relative fair values of the assets acquired and liabilities assumed are estimates, which are subject to change pending further review. The actual amounts recorded at the completion of the Merger, if completed, may differ materially from the information presented in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information has also been prepared on the assumption that the Transactions will be completed on the terms and in accordance with the assumptions set forth under Unaudited Pro Forma Condensed Combined Financial Information included in this prospectus supplement and incorporated by reference in the accompanying prospectus. Any changes in these assumptions, including, without limitation, any changes in the assumed types or sizes of the initial Financing Transactions, the assumed interest and dividend rates on long-term debt, short-term debt and Mandatory Convertible Preferred Stock we are assuming that we will issue or the interest rate on borrowings we are assuming we will make, the assumed number of shares of common stock and Mandatory Convertible Preferred Stock we issue, the assumed forward sale price under, the settlement dates for, and manner in which we settle the forward sale agreements, the assumed amount of our transaction costs, or the assumed amounts of net proceeds we receive from the respective initial Financing Transactions would result in a change in the unaudited pro forma condensed combined financial information, which could be material. In addition, because none of the initial Financing Transactions will be contingent upon completion of any of the other initial Financing Transactions, it is possible that one or more of the initial Financing Transactions will not be completed. Likewise, because none of the initial Financing Transactions is contingent upon completion of the Merger, it is possible that the Merger will not be completed and, if the Merger is not completed, we may elect to redeem all of the outstanding shares of Mandatory Convertible Preferred Stock that we may have issued and we may elect or be required to redeem or repay some or all of the debt we may have incurred to finance the Merger Consideration and related transaction costs. It is also possible that the initial Financing Transactions, if completed, will not generate the anticipated amount of net proceeds, which may require us to obtain additional or alternative financing, and we may not be able to obtain additional or alternative financing on terms we consider acceptable, or at all. We have also assumed that EFH s existing Chapter 11 bankruptcy proceedings will be concluded on the terms currently contemplated, including, without limitation, the settlement of EFH s liabilities and creditor and other claims against EFH in accordance with those contemplated terms. See Unaudited Pro Forma Condensed Combined Financial Information and each of our, EFH s and Oncor Holdings consolidated financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Our, EFH s and Oncor Holdings actual financial positions and results of operations prior to the Merger and that of the combined company following the Merger, if consummated, may not be consistent with, or evident from, the unaudited pro forma condensed combined financial information included and incorporated by reference in this prospectus supplement and the accompanying prospectus. In addition, the assumptions or estimates used in preparing the unaudited pro forma condensed combined financial information may not prove to be accurate and may be affected by a broad range of factors.

Although the unaudited pro forma condensed combined financial information included and incorporated by reference in this prospectus supplement, as well as some of the information appearing in this prospectus supplement under the captions Summary Information The Offering and Capitalization, includes sensitivity analyses that are intended to assist you in quantifying the impact of changes in certain of the assumptions used in preparing such pro forma information, those sensitivity analyses reflect the pro forma impact of only a limited number of those assumptions and therefore do not allow you to quantify the impact of changes in any of the other assumptions made in calculating this pro forma information and changes in certain of those other assumptions may have a material impact on the unaudited pro forma condensed combined financial information. Likewise, the sensitivity analyses we have provided do not necessarily address the impact of all possible changes in the relevant assumptions. We do not intend to provide you with updated unaudited pro forma condensed combined financial information that reflects the actual number of shares to be sold in this offering, or the Concurrent Offering, the actual public offering prices or forward sale price of those shares, the actual dividend rate on the Mandatory Convertible Preferred Stock or any of the other actual terms of this offering or the Concurrent Offering prior to the time you will be required to make a decision whether or not to invest in this offering.

As a result of the foregoing, investors should not place undue reliance on as adjusted or unaudited pro forma condensed combined financial information included and incorporated by reference in this prospectus supplement and the accompanying prospectus.

EFH has advised us that they identified a material weakness in their internal control over financial reporting.

EFH has advised us that, in the course of preparing its consolidated financial statements as of and for the nine months ended September 30, 2017, its management determined that EFH had failed to properly account for a change in the accounting for certain interest expense necessitated by a bankruptcy court decision in its ongoing bankruptcy proceedings. EFH has further advised us that, although they believe that this interest expense has been appropriately reflected in the unaudited condensed financial statements of EFH as of and for the nine months ended September 30, 2017 included and incorporated by reference in this prospectus supplement, its management nonetheless concluded that the initial failure to properly account for this expense constitutes a material weakness in its internal control over financial reporting.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company s annual or interim consolidated financial statements will not be prevented or detected on a timely basis. EFH has advised us that they have taken steps to remediate the deficiency that resulted in this material weakness. However, EFH is not required to file reports with the SEC under the Securities Exchange Act of 1934, as amended, and, as a result, its auditors do not perform an evaluation of the effectiveness of EFH s internal control over financial reporting. It is possible that there may be other deficiencies in EFH s financial controls that have not been detected.

If we incur indebtedness or issue debt securities to finance a portion of the Merger Consideration, and we do not complete the Merger on or before a specified date or if other specified events occur, we may be required to redeem or repay any such indebtedness or debt securities. We may not have the financial resources necessary to effect such redemption or repayment. It is possible that our failure to complete the Merger or the expenditure of our funds to redeem or repay any indebtedness incurred as part of the Additional Financing may have a material adverse effect on the market price of our common stock and any Mandatory Convertible Preferred Stock we may issue in the Concurrent Offering.

We expect to incur a substantial amount of additional indebtedness as part of the initial Additional Financing. See Summary Information Recent Developments Sources and Uses. To the extent we incur indebtedness or issue debt securities as all or part of the Additional Financing and we do not complete the Merger by a specified date or if certain other specified events, such as termination of the Merger Agreement, occur, we expect that we will be required to redeem or repay some or all of such indebtedness and debt securities and that the redemption or repayment price will include a premium. Likewise, if the Additional Financing includes the issuance of additional shares of our preferred stock, we may be required or permitted to redeem that preferred stock if the Merger does not occur by a specified date or other specified events occur and the redemption price may also include a premium.

We may not be required to deposit the proceeds from the Additional Financing into an escrow account pending completion of the Merger or to grant any security interest or other lien on those proceeds to secure any required repayment or redemption of any Additional Financing. If we are required to redeem or repay any indebtedness or debt securities issued in the Additional Financing under the circumstances described above, our ability to pay the redemption or repayment price may be limited by our financial resources at the time and the terms of our debt instruments or other instruments and agreements and it is possible that we will not have sufficient financial resources available to satisfy our obligation to effect such redemption or repayment. Any failure to pay the mandatory redemption or repayment price of any Additional Financing as and when required could have a material adverse effect on our business, results of operations and financial condition and the market price of our securities, including our common stock, the Mandatory Convertible Preferred Stock being offered in the Concurrent Offering, or any indebtedness incurred or other securities issued as part of the Additional Financing.

If the Merger is not completed or an Acquisition Termination Event occurs, we will not have any obligation to offer to repurchase the common stock sold in this offering. It is possible that our failure to complete the Merger, or the expenditure of our funds to redeem or repay any Additional Financing, may have a material adverse effect on the market price of our common stock and the Mandatory Convertible Preferred Stock issued in the Concurrent Offering.

If the Mandatory Convertible Preferred Stock Offering is completed and we do not complete the Merger on or prior to December 1, 2018, or if an Acquisition Termination Event occurs, we will have the option to redeem the Mandatory Convertible Preferred Stock.

If the Mandatory Convertible Preferred Stock Offering is completed and we do not complete the Merger on or prior to December 1, 2018, or if an Acquisition Termination Event occurs, we will be entitled, but not required, to redeem the Mandatory Convertible Preferred Stock, in whole but not in part, at a make-whole redemption price per share that includes a make-whole adjustment which could provide a redemption price that exceeds the assumed public offering price of $100.00 per share, plus accrued and unpaid dividends. We may satisfy the redemption price by delivering cash, common stock or any combination thereof. If the Concurrent Offering is completed but the Merger does not occur, we may elect to exercise our option to redeem all of the outstanding shares of Mandatory Convertible Preferred Stock. It is possible that our failure to complete the Merger or, if we exercise our option to redeem the Mandatory Convertible Preferred Stock as described in the preceding sentence, our expenditure of funds or delivery of common stock to satisfy the redemption price thereof may have a material adverse effect on the market price of our outstanding common stock or debt securities. See Description of Mandatory Convertible Preferred Stock.

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Sales or issuances of substantial amounts of our common stock in the public market, or the perception that these sales or issuances may occur, or the conversion of our Mandatory Convertible Preferred Stock or the payment of dividends on, or the redemption price of, our Mandatory Convertible Preferred Stock in the form of shares of our common stock, could cause the market price of our common stock to decline.

Sales or issuances of substantial amounts of our common stock in the public market, including upon settlement of the forward sale agreements, or the perception that these sales or issuances may occur, or the conversion of our Mandatory Convertible Preferred Stock or the payment of dividends on, or the redemption price of, our Mandatory Convertible Preferred Stock in the form of shares of our common stock, could cause the market price of our common stock to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Declines in the market price of our common stock may also materially and adversely affect the market price of our Mandatory Convertible Preferred Stock, if issued. Future sales or issuances of our common stock or other equity-related securities could be dilutive to holders of our common stock and could adversely affect their voting and other rights and economic interests, including purchasers of our common stock in this offering and holders of any shares of common stock issued on conversion of our Mandatory Convertible Preferred Stock, and could have a similar impact with respect to our Mandatory Convertible Preferred Stock.

Our common stock will rank junior to the Mandatory Convertible Preferred Stock with respect to dividends and amounts payable in the event of our liquidation, dissolution or winding-up.

Our common stock will rank junior to the Mandatory Convertible Preferred Stock with respect to the payment of dividends and amounts payable in the event of our liquidation, dissolution or winding-up. This means that, unless accumulated dividends have been paid or set aside for payment on all outstanding Mandatory Convertible Preferred Stock for all past dividend periods, no dividends may be declared or paid on our common stock and we will not be permitted to repurchase any of our common stock, subject to limited exceptions. Likewise, in the event of our voluntary or involuntary liquidation, dissolution or winding-up, no distribution of our assets may be made to holders of our common stock until we have paid to holders of the Mandatory Convertible Preferred Stock a liquidation preference equal to $100.00 per share plus accrued and unpaid dividends. See Description of Mandatory Convertible Preferred Stock.

Risks Related to the Forward Sale Agreements

Settlement provisions contained in the forward sale agreements subject us to certain risks.

The forward purchasers will have the right to accelerate the forward sale agreements (or, in certain cases, the portion thereof that they determine is affected by the relevant event) and require us to physically settle the forward sale agreements on a date specified by the forward purchasers if:

- they are unable to establish, maintain or unwind their hedge position with respect to the forward sale agreements;

- they determine that they are unable to, or it is commercially impracticable for them to, continue to borrow a number of shares of our common stock equal to the number of shares of our common stock underlying the forward sale agreements or that, with respect to borrowing such number of shares of our common stock, they would incur a rate that is greater than the borrow cost specified in the forward sale agreements, subject to a prior notice requirement;

we declare or pay cash dividends in an amount in excess of amounts, or at a time other than, those prescribed by the forward sale agreements or declare or pay certain other types of dividends or distributions on shares of our common stock;

an event is announced that, if consummated, would result in an extraordinary event (including certain mergers and tender offers, our nationalization, our insolvency and the delisting of the shares of our common stock);

an ownership event (as such term is defined in the forward sale agreements) occurs; or certain other events of default, termination events or other specified events occur, including, among other things, a change in law.

The forward purchasers decision to exercise their right to accelerate the forward sale agreements (or, in certain cases, the portion thereof that they determine is affected by the relevant event) and to require us to settle the forward sale agreements will be made irrespective of our interests, including our need for capital. In such cases, we could be required to issue and deliver our common stock under the terms of the physical settlement provisions of the forward sale agreements irrespective of our capital needs, which would result in dilution to our earnings per share and may adversely affect the market price of our common stock and any Mandatory Convertible Preferred Stock we may issue in the Concurrent Offering.

The forward sale agreements provide for settlement on a settlement date or dates to be specified at our discretion, but which we expect to occur in multiple settlements on or prior to December 15, 2019. Subject to the provisions of the forward sale agreements, delivery of our shares upon physical or net share settlement of the forward sale agreements will result in dilution to our earnings per share and may adversely affect the market price of our common stock and any Mandatory Convertible Preferred Stock we may issue in the Concurrent Offering.

We may elect, subject to certain conditions, cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements if we conclude that it is in our interest to do so. For example, we may conclude that it is in our interest to cash settle or net share settle the forward sale agreements if the Merger does not close or if we otherwise have no current use for all or a portion of the net proceeds due upon physical settlement of the forward sale agreements.

If we elect to cash or net share settle all or a portion of the shares of our common stock underlying the forward sale agreements, we would expect the forward purchasers or one of their affiliates to purchase the number of shares necessary, based on the number of shares with respect to which we have elected cash or net share settlement, in order to satisfy their obligation to return the shares of our common stock they had borrowed in connection with sales of our common stock under this prospectus supplement and, if applicable in connection with net share settlement, to deliver shares of our common stock to us or taking into account shares of our common stock to be delivered by us, as applicable. If the price paid by the forward purchasers or one of their affiliates to so purchase our common stock is above the forward sale price at that time, we will pay or deliver, as the case may be, to the forward purchasers under the forward sale agreements, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. Any such difference could be significant. Conversely, if the price paid by the forward purchasers or one of their affiliates to so purchase our common stock is below the forward sale price at that time, the forward purchasers will pay or deliver, as the case may be, to us under the forward sale agreements, an amount in cash, or a number of shares of our common stock with a market value, equal to such difference. See Underwriting (Conflicts of Interest) Forward Sale Agreements for information on the forward sale agreements.

In addition, the purchase of our common stock by the forward purchasers or their affiliates to unwind the forward purchasers hedge position could cause the price of our common stock to increase over time, thereby increasing the amount of cash or the number of shares of our common stock that we would owe to the forward purchasers upon cash settlement or net share settlement, as the case may be, of the forward sale agreements, or decreasing the amount of cash or the number of shares of our common stock that the forward purchasers owe us upon cash settlement or net share settlement, as the case may be, of the forward sale agreements.

In case of our bankruptcy or insolvency, the forward sale agreements will automatically terminate, and we would not receive the expected proceeds from the sale of our common stock.

If we file for or a regulatory authority with jurisdiction over us institutes, or we consent to, a proceeding seeking a judgment in bankruptcy or insolvency or any other relief under any bankruptcy or insolvency law or

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other similar law affecting creditors rights, or we or a regulatory authority with jurisdiction over us presents a petition for our winding-up or liquidation, and we consent to such a petition, the forward sale agreements will automatically terminate. If the forward sale agreements so terminate, we would not be obligated to deliver to the forward purchasers any shares of our common stock not previously delivered, and the forward purchasers would be discharged from their obligation to pay the relevant forward sale price per share in respect of any shares of common stock not previously settled. Therefore, to the extent there are any shares of our common stock with respect to which the forward sale agreements have not been settled at the time of the commencement of any such bankruptcy or insolvency proceedings, we would not receive the relevant forward sale price per share in respect of those shares of common stock.

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USE OF PROCEEDS

We will not initially receive any proceeds from the sale of shares of our common stock offered in this offering, unless (i) an event occurs that requires us to sell such shares to the underwriters in lieu of the forward sellers selling such shares to the underwriters, or (ii) the underwriters exercise their over-allotment option to purchase additional shares of our common stock, in which case we will sell all of the additional shares of our common stock covered by such option to the underwriters rather than requiring the forward sellers to borrow and sell such additional shares to the underwriters.

We estimate that the net proceeds to us from the sale of shares of our common stock in connection with this offering and pursuant to the forward sale agreements will be approximately $ billion (or approximately $ billion if the underwriters exercise their over-allotment option in full), subject to certain adjustments pursuant to the forward sale agreements and assuming full physical settlement of the forward sale agreements. We will not receive any proceeds under the forward sale agreements on the closing date of this offering. We expect that the forward sale agreements will settle in multiple settlements on or prior to December 15, 2019.

The forward sale price is subject to adjustment pursuant to the forward sale agreements, and the actual proceeds are subject to settlement of the forward sale agreements. If the overnight bank funding rate decreases substantially prior to the settlement of the forward sale agreements, we may receive less than the initial forward sale price per share upon physical settlement of the forward sale agreements. Although we expect to settle the forward sale agreements entirely by the physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements. If we elect to cash settle the forward sale agreements, we would expect to receive an amount of net proceeds that is significantly lower than the estimate included under this caption, and we may not receive any net proceeds (or may owe cash, which could be a significant amount, to the forward purchasers). If we elect to net share settle the forward sale agreements in full, we would not receive any cash proceeds from the forward purchasers (and we may be required to deliver shares of our common stock to the forward purchasers).

The amount of cash or shares of our common stock we receive upon settlement of the forward sale agreements, if any, will depend on the relevant settlement method, the time of settlement, market interest rates and, if applicable under cash or net share settlement, the market price of our common stock during the period in which a forward counterparty unwinds its hedge positions with respect to the forward sale agreements. Settlement will occur on or prior to one or more dates specified by us under the forward sale agreements. We expect to settle the forward sale agreements in multiple settlements on or prior to December 15, 2019, which is the scheduled final settlement date under the forward sale agreements. The forward sale agreements are subject to acceleration by the forward purchasers upon the occurrence of certain events. See Underwriting (Conflicts of Interest) for a description of certain terms of the forward sale agreements.

We intend to use net proceeds that we receive from the sale of shares of our common stock pursuant to the forward sale agreements and, if applicable, upon any exercise by the underwriters of their option to purchase shares of our common stock directly from us, and, if completed, the Concurrent Offering and the initial Additional Financing to fund the Merger Consideration and to pay related fees and expenses or, in the case of any proceeds received from settlements under the forward sale agreements that occur after the closing of the proposed Merger, to repay indebtedness incurred to finance a portion of the Merger Consideration and to pay related fees and expenses. See Summary Information Recent Developments. However, this offering is not contingent on the completion of the Merger or the Concurrent Offering, and there can be no assurance that the Merger, the Concurrent Offering or any Additional Financing will be consummated on the terms described herein or at all. If the Merger is not completed, we will not have any obligation to offer to repurchase the shares of common stock sold in this offering. If the Merger does not occur, we expect to use the net proceeds from the settlement of shares of our common stock for general corporate purposes, which may include voluntary redemption of the Mandatory Convertible Preferred Stock, if issued, debt repayment, including repayment of commercial paper, capital expenditures, investments, and possibly repurchases of our common stock at the discretion of our board of directors. Pending application of the net proceeds of this offering for the foregoing purposes, we expect to use the net proceeds to repay commercial paper and other short-term indebtedness and/or invest such net proceeds in various instruments which may include, but would not be limited to, short- and intermediate-term, interest-bearing obligations, including bank deposits and certificates of deposit with financial institutions having investment-grade ratings, U.S. government obligations or money market funds primarily invested in securities issued by the U.S. government or its agencies.

If the Mandatory Convertible Preferred Stock Offering is completed but the Merger does not occur on or prior to December 1, 2018, or if an Acquisition Termination Event occurs, we will have the option to redeem, in whole but not in part, the Mandatory Convertible Preferred Stock at a make-whole redemption price per share that includes a make-whole adjustment which could provide a redemption price that exceeds the expected initial public offering price of $100.00 per share, plus accrued and unpaid dividends. We may satisfy the redemption price by delivering cash, common stock or a combination thereof. If the Concurrent Offering is completed but the Merger does not occur, we may elect to exercise our option to redeem all of the outstanding shares of Mandatory Convertible Preferred Stock. See Risk Factors Risks Related to the Merger If the Mandatory Convertible Preferred Stock Offering is completed and we do not complete the Merger on or prior to December 1, 2018, or if an Acquisition Termination Event occurs, we will have the option to redeem the Mandatory Convertible Preferred Stock.

To the extent we incur indebtedness or issue debt securities as all or part of the Additional Financing and we do not complete the Merger by a specified date or if certain other specified events, such as termination of the Merger Agreement, occur, we expect that we will be required to redeem or repay some or all of such indebtedness and debt securities and that the redemption or repayment price will include a premium. See Risk Factors Risks Related to the Merger If we incur indebtedness or issue debt securities to finance a portion of the Merger Consideration, and we do not complete the Merger on or before a specified date or if other specified events occur, we may be required to redeem or repay any such indebtedness or debt securities. We may not have the financial resources necessary to effect such redemption or repayment. It is possible that our failure to complete the Merger or the expenditure of our funds to redeem or repay any indebtedness incurred as part of the Additional Financing may have a material adverse effect on the market price of our common stock and any Mandatory Convertible Preferred Stock we may issue in the Concurrent Offering.

All of the proceeds from the sale of shares of our common stock offered by the forward sellers in this offering (excluding proceeds, if any, paid to us with respect to any shares of common stock that we may sell to the underwriters in lieu of the forward sellers selling such shares) will be paid to the forward purchasers. Because Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Barclays Capital Inc., or their affiliates, in their capacity as forward sellers, will receive more than 5% of the net proceeds of this offering, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Barclays Capital Inc. are deemed to have a conflict of interest within the meaning of FINRA Rule 5121. Accordingly, this offering will be conducted in compliance with the applicable provisions of FINRA Rule 5121. Pursuant to that rule, the appointment of a qualified independent underwriter is not required in connection with this offering, as the shares of our common stock have a bona fide public market (as defined in FINRA Rule 5121). In addition, Morgan Stanley & Co. LLC, RBC Capital Markets, LLC and Barclays Capital Inc. may not make sales in this offering to any discretionary account without the prior written approval of the customer. See Underwriting (Conflicts of Interest) for additional information.

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CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of September 30, 2017:

- on an actual basis;

- as adjusted to give effect to the issuance and sale of our common stock to the forward purchasers under the forward sale agreements in connection with this offering, assuming full physical settlement of the forward sale agreements as of September 30, 2017 (but not the use of proceeds therefrom to pay the Merger Consideration or related fees and expenses or, pending such uses, to repay commercial paper or other short-term indebtedness); and

- as further adjusted to also give effect to the issuance and sale of our Mandatory Convertible Preferred Stock in the Concurrent Offering (but not the use of proceeds therefrom to pay the Merger Consideration or related fees and expenses or, pending such uses, to repay commercial paper or other short-term indebtedness).

The following table does not give effect to the incurrence of any of the indebtedness that we expect to incur to finance a portion of the Merger Consideration and related fees and expenses.

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The following information is based on the assumptions described below and does not purport to reflect the actual amounts of proceeds we will receive from the settlement of the forward sale agreements or the Concurrent Offering or what our actual consolidated cash and cash equivalents or capitalization will be upon completion of those transactions. Moreover, because the closing of this offering is not contingent upon the completion of the Concurrent Offering, you should not assume that the Concurrent Offering, as reflected in the applicable column below, will take place. This table should be read in conjunction with our consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Actual	As Adjusted for the Forward Sale Settlement	As Further Adjusted for the Concurrent Offering
		(dollars in millions)	
Cash and cash equivalents	$ 189	$ 2,652	$ 4,130
Debt:			
Short-term debt (includes current portion of long-term debt)	$ 3,921	$ 3,921	$ 3,921
Long-term debt (excluding current portion)	$ 14,803	$ 14,803	$ 14,803
Total debt	$ 18,724	$ 18,724	$ 18,724
Equity:			
Preferred stock (50 million shares authorized; none issued, actual and as adjusted for the full physical settlement of the forward sale agreements; 15 million shares outstanding as further adjusted for the Concurrent Offering)	$	$	$ 1,478
Common stock (750 million shares authorized; 251.1 million shares outstanding, actual; 274.3 million shares outstanding as adjusted for the full physical settlement of the forward sale agreements and as further adjusted for the Concurrent Offering)	$ 3,088	$ 5,551	$ 5,551
Retained earnings	$ 10,855	$ 10,855	$ 10,855
Accumulated other comprehensive loss	$ (678)	$ (678)	$ (678)
Total Sempra Energy shareholders equity	$ 13,265	$ 15,728	$ 17,206
Preferred stock of subsidiary	$ 20	$ 20	$ 20
Other noncontrolling interests	$ 2,217	$ 2,217	$ 2,217
Total equity	$ 15,502	$ 17,965	$ 19,443
Total capitalization	$ 34,226	$ 36,689	$ 38,167

The information in the foregoing table does not reflect $850 million aggregate principal amount of Floating Rate Notes due 2021 that we issued in the fourth quarter of 2017, and assumes that we receive proceeds of $2.5 billion from the sale of shares of our common stock pursuant to the forward sale agreements and $1.5 billion of proceeds from the sale of our Mandatory Convertible Preferred Stock in the Concurrent Offering (in each case before deducting fees, expenses and discounts and assuming full physical settlement of the forward sale agreements). A $100.0 million increase (decrease) in the assumed proceeds from the sale of shares of our common stock to the forward purchasers would increase (decrease) the amounts (other than amounts appearing in the Actual column) of cash and cash equivalents, common stock, total Sempra Energy shareholders equity, total equity and total capitalization in the above table by approximately $98.6 million. The number of outstanding shares of our common stock as adjusted for the full physical settlement of the forward sale agreements appearing in the table above assumes that we will receive total proceeds of $2.5 billion from the sale of shares of our common stock pursuant to the forward sale agreements and that the forward sale price will be $107.83 per share of our common stock, which is equal to the last reported sale price of our common stock on the New York Stock Exchange appearing on the cover page of this prospectus supplement (in each case before deducting discounts and expenses). A $100.0 million increase (decrease) in the assumed total proceeds we receive from the sale of shares of our common stock pursuant to the forward sale agreements would increase (decrease) the number of shares of common stock to be outstanding as adjusted for the full physical settlement of the forward sale agreements by approximately 927,386 shares, assuming no change in the assumed public offering price per share. A $1.00 increase (decrease) in the assumed forward sale price per share of our common stock would result in an approximately 213,035 share decrease or an approximately 217,024 share increase, respectively, in the number of shares to be outstanding as adjusted for the full physical settlement of the forward sale agreements, assuming no change in the assumed total proceeds we receive from the sale of shares pursuant to the forward sale agreements.

As described above, the information in the foregoing table assumes that we receive proceeds of $1.5 billion from the sale of shares of our Mandatory Convertible Preferred Stock in the Concurrent Offering (before deducting expenses and discounts). A $100.0 million increase (decrease) in the assumed proceeds from the sale of shares of our Mandatory Convertible Preferred Stock would increase (decrease) the amounts in the As Further Adjusted for the Concurrent Offering column of cash and cash equivalents, preferred stock, total Sempra Energy shareholders equity, total equity and total capitalization in the above table by approximately $98.6 million. The number of shares of our outstanding preferred stock as further adjusted for the Concurrent Offering appearing in the foregoing table further assumes that the public offering price will be $100 per share of Mandatory Convertible Preferred Stock (before deducting expenses and discounts). A $100.0 million increase (decrease) in the assumed total proceeds we receive from the sale of shares of our Mandatory Convertible Preferred Stock would increase (decrease) the number of shares of our preferred stock to be outstanding as further adjusted for the Concurrent Offering by 1.0 million shares, assuming no change in the assumed public offering price per share of Mandatory Convertible Preferred Stock.

The assumed amount of net proceeds from sales of our common stock under the forward sale agreements assumes full physical settlement of the forward sale agreements and that settlement under the forward sale agreements occurs concurrently with the closing of this offering. Although we expect to settle a portion of the forward sale agreements concurrently with, or prior to, the closing of the proposed Merger, we expect to settle the remaining portion of the forward sale agreements after the Merger, if completed, in multiple settlements on or prior to December 15, 2019. We expect that, at the time the Merger is completed, the actual amount of proceeds received from the settlement of the forward sale agreements will be lower than the amount reflected in the foregoing table. In addition, although we expect to settle the forward sale agreements entirely by the physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements. If we elect to cash settle the forward sale agreements, we would expect to receive an amount of proceeds that is significantly lower than the amount reflected in the foregoing table, and we may not receive any proceeds (or may owe cash, which could be a significant amount, to the forward purchasers). If we elect to net share settle the forward sale agreements in full, we would not receive any cash proceeds from the forward purchasers (and we may be required to deliver shares of our common stock to the forward purchasers). In addition, the forward sale price is subject to adjustment pursuant to the forward sale agreements and the actual proceeds are subject to settlement of the forward sale agreements. The forward sale agreements are also subject to acceleration by the forward purchasers upon the occurrence of certain events.

The actual number of shares of our common stock set forth in the line item captioned Common stock in the foregoing table is based on 251,139,573 shares of our common stock outstanding as of September 30, 2017, and such actual number of shares and the number of shares of our common stock as adjusted for the full physical settlement of the forward sale agreements and as further adjusted for the Concurrent Offering set forth in such line item exclude:

(a) up to shares of our common stock (including up to shares of our common stock if the underwriters in the Mandatory Convertible Preferred Stock Offering exercise their over-allotment option to purchase additional shares of Mandatory Convertible Preferred Stock in full) that would initially be issuable upon conversion of

Mandatory Convertible Preferred Stock issued in the Mandatory Convertible Preferred

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Stock Offering, if completed, in each case assuming mandatory conversion based on an applicable market value of our common stock equal to the threshold appreciation price of $ (which is approximately % above the price at which the shares of our common stock are being offered by this prospectus supplement and the accompanying prospectus) subject to anti-dilution, make-whole and other possible adjustments;

(b) (i) 232,951 shares of our common stock reserved for issuance upon exercise of stock options outstanding as of September 30, 2017, (ii) 304,892 shares of our common stock reserved for issuance upon vesting of our time based restricted stock units (including reinvested dividends) outstanding as of September 30, 2017, (iii) 3,630,438 shares of our common stock reserved for issuance upon the vesting of our performance based restricted stock units (including reinvested dividends), assuming the maximum payout was achieved, outstanding as of September 30, 2017 under our various equity compensation plans, and (iv) shares reserved for issuance upon the vesting of any awards we may have issued under such plans subsequent to September 30, 2017;

(c) any additional shares of common stock we may issue from and after January , 2018 through final settlement of the forward sale agreements; and

(d) any additional shares we have issued or may issue under our dividend reinvestment program, direct stock purchase plan or 401(k) savings plans subsequent to September 30, 2017.

Under our dividend reinvestment program, direct stock purchase plan and 401(k) savings plans, we are currently delivering newly issued shares of our common stock to settle shares purchased under those plans. Over the 12 months ended September 30, 2017, approximately 856,000 shares of our common stock were issued in connection with those plans. The number of additional shares issued under those plans going forward is dependent on whether Sempra Energy continues to deliver newly issued shares under these plans, Sempra Energy s stock price and the elections by plan participants to purchase Sempra Energy common stock in the future.

The information contained in the table above assumes that the over-allotment option we have granted to the underwriters in this offering to purchase additional shares of our common stock and the over-allotment option we have granted to the underwriters in the Concurrent Offering to purchase additional shares of our Mandatory Convertible Preferred Stock are not exercised.

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PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock is listed on the NYSE under the symbol SRE. The following table sets forth the high and low sale prices, as reported in the consolidated transaction reporting system. As of December 27, 2017, there were 251,358,077 shares of our common stock outstanding.

Calendar Year:	High	Low	Dividends Declared Per Share of Common Stock
2015:			
First Quarter	$ 116.21	$ 104.64	$ 0.70
Second Quarter	111.09	98.67	0.70
Third Quarter	106.70	89.44	0.70
Fourth Quarter	105.78	90.52	0.70
2016:			
First Quarter	$ 104.70	$ 86.72	$ 0.755
Second Quarter	114.03	100.40	0.755
Third Quarter	114.66	102.15	0.755
Fourth Quarter	109.42	92.95	0.755
2017:			
First Quarter	$ 113.15	$ 99.71	$ 0.8225
Second Quarter	117.97	107.86	0.8225
Third Quarter	120.17	110.35	0.8225
Fourth Quarter (through December 27, 2017)	122.98	105.03	0.8225

On December 27, 2017, the last reported sale price of our common stock on the NYSE was $107.83. As of December 27, 2017, there were approximately 26,859 holders of record of our common stock.

On December 15, 2017, our board of directors declared a dividend of $0.8225 per share of our common stock payable on January 15, 2018 to shareholders of record as of the close of business on December 29, 2017. **Purchasers of shares of our common stock in this offering will not be entitled to receive the dividend payable on January 15, 2018 on the shares of common stock that they purchase in this offering.**

We have historically paid dividends on our common stock on the 15th day of January, April, July and October; however, the declaration, amount, timing and payment of any future dividends are subject to the determination and approval of our board of directors based on then-current or anticipated future conditions including our results of operations, capital requirements, financial condition, legal requirements or other factors deemed relevant by our board of directors. See Risk Factors Risks Related to Our Common Stock We may be unable to, or may choose not to, continue to pay dividends on our common stock or, if issued, the Mandatory Convertible Preferred Stock at current or planned rates or at all.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Unaudited Pro Forma Condensed Combined Financial Information of Sempra Energy has been derived from the historical consolidated financial statements of Sempra Energy and its subsidiaries (Sempra Energy, we, our, or us) Energy Future Holdings Corp. and subsidiaries (EFH). The unaudited pro forma condensed combined financial information should be read in conjunction with the:

accompanying notes herein;

unaudited condensed consolidated financial statements of Sempra Energy as of and for the nine months ended September 30, 2017, included in Sempra Energy s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 and incorporated by reference in the accompanying prospectus;

audited consolidated financial statements of Sempra Energy as of and for the year ended December 31, 2016, included in Sempra Energy s Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated by reference in the accompanying prospectus;

unaudited condensed consolidated financial statements of EFH as of and for the nine months ended September 30, 2017, included in this prospectus supplement and incorporated by reference in the accompanying prospectus; and

audited consolidated financial statements of EFH as of and for the year ended December 31, 2016, included in this prospectus supplement and incorporated by reference in the accompanying prospectus.

As the consolidated financial statements of EFH include its equity method investment in Oncor Electric Delivery Holdings Company LLC (Oncor Holdings) and the associated equity method earnings, the unaudited pro forma condensed combined financial information should also be read in conjunction with Oncor Holdings unaudited condensed consolidated financial statements as of and for the nine months ended September 30, 2017 and audited consolidated financial statements as of and for the year ended December 31, 2016, both included in this prospectus supplement and incorporated by reference in the accompanying prospectus.

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Proposed Acquisition of Energy Future Holdings Corp.

On August 21, 2017, Sempra Energy, along with an indirect, wholly owned subsidiary (Merger Sub), entered into an Agreement and Plan of Merger, as supplemented by a Waiver Agreement dated October 3, 2017 (together referred to as the Merger Agreement), with EFH, the indirect owner of 80.03% of the membership interests in Oncor Electric Delivery Company LLC (Oncor), and EFH s subsidiary, Energy Future Intermediate Holding Company LLC (EFIH). Oncor is a regulated electric distribution and transmission business that operates the largest distribution and transmission system in Texas. Under the Merger Agreement, we will pay total consideration of $9.45 billion, subject to possible adjustment as described in the Merger Agreement (the Merger Consideration). Pursuant to the Merger Agreement and subject to the satisfaction of certain closing conditions, EFH will be merged with Merger Sub, with EFH continuing as the surviving company and an indirect, wholly owned subsidiary of Sempra Energy (the Merger), as follows:

(1) This is a simplified ownership structure that does not present all of the subsidiaries of, or other equity interests owned by, these entities.

Texas Transmission Investment LLC (TTI), an investment vehicle indirectly owned by third parties unaffiliated with EFH or Sempra Energy, owns 19.75% of Oncor s outstanding membership interests, and certain current and former directors and officers of Oncor indirectly beneficially own 0.22% of Oncor s outstanding membership interests through their ownership of Class B membership interests in Oncor Management Investment LLC (OMI). On October 3, 2017, Sempra Energy provided written confirmation to Oncor Holdings and Oncor that, contemporaneously with the closing of the Merger, equivalent value (approximately $25.9 million) will be provided in exchange for the Class B membership interests in OMI in the form of cash, or if mutually agreed by the parties, alternative benefit and/or incentive plans. The consummation of the Merger is not conditioned on the acquisition of these interests in OMI, and there has been no formal agreement by us or the owners of these interests to accept the terms of our written confirmation. Any potential impacts of this arrangement to provide equivalent value for these membership interests in OMI have not been reflected in the unaudited pro forma condensed combined financial information.

Financing

We currently intend to initially finance the Merger Consideration, as well as associated transaction costs, with the net proceeds from debt and equity issuances, commercial paper supported by our revolving credit facilities and borrowings under our revolving credit facilities, although we could also utilize cash on hand. We expect to ultimately fund approximately 65% of the total Merger Consideration with the net proceeds from the sales of Sempra Energy common stock (including common stock to be sold pursuant to forward sale agreements) and other equity securities (including the Mandatory Convertible Preferred Stock), although we may use cash on hand and proceeds from asset sales in place of some of this equity financing, and approximately 35% with the net proceeds from issuances of Sempra Energy debt securities. Some of the equity issuances will likely occur following the Merger (including the issuance of some of the shares of common stock we expect to issue upon full physical settlement of the forward sale agreements) to repay outstanding indebtedness, including indebtedness that we expect to incur to initially finance the Merger Consideration and associated transaction costs. We may also use cash on hand and proceeds from asset sales to repay indebtedness initially incurred to pay a portion of the Merger consideration and related fees and expenses. We have entered into a commitment letter with a syndicate of banks providing, subject to customary conditions, for a $4.0 billion, 364-day senior unsecured bridge facility to backstop a portion of our obligations to pay the Merger Consideration. However, the $4.0 billion commitment is reduced by the amount of funds received through Sempra Energy s sales of equity securities and debt securities, subject in each case to certain exceptions, and increases in our borrowing capacity under our existing revolving credit facilities. We have prepared the unaudited pro forma condensed combined financial information assuming that the Merger Consideration and associated transaction costs will be financed with the net proceeds from debt and equity issuances based on current market conditions, and as a result, the unaudited pro forma condensed combined financial information assumes that Sempra Energy will not borrow any amounts under the unsecured bridge facility.

The unaudited pro forma condensed combined financial information gives effect to the following assumptions:

- consideration of $9.45 billion paid for the Merger, excluding both estimated transaction costs and a possible adjustment based on the timing of dividends paid by Oncor to Oncor Holdings, which adjustment, if any, we do not expect to be material. Collectively, transaction costs include estimated fees, expenses and discounts associated with the Merger and financing of the Merger Consideration;

- $150 million of estimated transaction costs expected to be (i) charged against related gross proceeds of debt and equity financings; or (ii) included in the basis of our investment in Oncor Holdings, as follows: (a) $59 million of equity issuance costs and discounts and $37 million of debt issuance costs and discounts; and (b) $54 million of other transaction costs, respectively;

- the repayment and cancellation through EFH s Chapter 11 bankruptcy proceedings of the indebtedness of EFH and EFIH immediately prior to the consummation of the Merger, including liabilities subject to compromise and debtor-in-possession (DIP) financing, and the cancellation of the existing common equity of EFH and related historical statements of operations impacts that are not expected to continue post-Merger; and our receipt of net proceeds from the following financing transactions to fund the Merger Consideration and estimated transaction costs:

proceeds of $2,463 million from the assumed issuance and sale of shares of our common stock (sold pursuant to forward sale agreements and assuming full physical settlement at the closing of the Merger), net of estimated issuance costs and discounts of $37 million;

proceeds of $1,478 million from the assumed issuance and sale of shares of our Mandatory Convertible Preferred Stock, net of estimated issuance costs and discounts of $22 million, with an assumed dividend rate of 6.25% per annum based on current market conditions; the actual dividend rate on the Mandatory Convertible Preferred Stock, if and when issued, may differ, perhaps substantially, from the rate we have assumed for purposes of this unaudited pro forma condensed combined financial information;

proceeds of $4,963 million from the assumed issuance and sale of Sempra Energy s long-term debt securities (the long-term debt), net of estimated issuance costs and discounts of $37 million, at an assumed weighted-average interest rate of 3.2% per annum based on current market conditions; the actual interest rate on the long-term debt, if and when issued, may differ, perhaps substantially, from the rate we have assumed for purposes of this unaudited pro forma condensed combined financial information; and

proceeds of $600 million from borrowings under our revolving credit facilities and the issuance and sale of our commercial paper supported by our revolving credit facilities (the short-term debt) at a weighted-average interest rate of 2% per annum based on current market conditions; the actual interest rate on the short-term debt, if and when issued, may differ, perhaps substantially, from the rate we have assumed for purposes of this unaudited pro forma condensed combined financial information.

For purposes of this unaudited pro forma condensed combined financial information, we sometimes refer to the planned issuance and sale of our common stock (pursuant to forward sale agreements), mandatory convertible preferred stock, long-term debt and short-term debt as described in the preceding paragraph as, collectively, the Financing Transactions and we sometimes refer to the Merger, the Financing Transactions and the payment of associated transaction costs as the Transactions. The actual size and terms of, and amounts of proceeds we receive from, the respective Financing Transactions will depend on, among other things, market conditions at the time of those transactions and such other factors as we deem relevant and may differ, perhaps substantially, from the size, terms and amounts we have assumed for purposes of this unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2017 and the year ended December 31, 2016 assume that the Transactions had occurred on January 1, 2016. The unaudited pro forma condensed combined balance sheet as of September 30, 2017 assumes that the Transactions had occurred on September 30, 2017.

We currently expect that the proceeds we receive from the sale of our common stock will be through sales under forward sale agreements that we plan to enter into with Morgan Stanley & Co. LLC, an affiliate of RBC Capital Markets, LLC and an affiliate of Barclays Capital Inc. We expect that proceeds from sales under these forward sale agreements will ultimately be received in multiple settlements, on or prior to December 15, 2019. However, for purposes of this unaudited pro forma condensed combined financial information, we have assumed that we will receive all of the net proceeds under the forward sale agreements upon full physical settlement concurrently with the closing of the Merger, which is assumed to be as of January 1, 2016, in the case of the unaudited pro forma condensed combined statements of operations, or September 30, 2017, in the case of the unaudited pro forma condensed combined balance sheet. We also expect that the forward sale agreements will permit us to elect cash settlement or net share settlement for all or a portion of our obligations under the forward sale agreements. If we were to elect cash settlement or net share settlement, the amount of cash proceeds we receive upon settlement would differ, perhaps substantially, from the amount we have assumed for purposes of this unaudited pro forma condensed combined financial information, or we may not receive any cash proceeds or we may deliver cash (in an amount which could be significant) or shares of our common stock to the forward purchasers.

It is expected that contemporaneously with the closing of the Merger, EFH and EFIH will emerge from Chapter 11 bankruptcy and their then existing indebtedness will be settled using (i) the proceeds from the Merger Consideration; and (ii) EFH s and EFIH s assets that are not being acquired by us in the Merger. The unaudited pro forma condensed combined financial information removes assets and liabilities of EFH and EFIH that are

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expected to be settled as a result of the Merger, other than those being acquired or assumed in the Merger, as described below in Note 2, Preliminary Purchase Price Allocation. Additionally, the unaudited pro forma condensed combined financial information removes income and expenses of EFH and EFIH that are not expected to continue post-Merger. We believe that because EFH and EFIH will be reorganized upon the consummation of the Merger and their ongoing activities will be related primarily to their investment in Oncor Holdings, the removal of assets and liabilities other than those described below in Note 2 and related income or expenses of EFH or EFIH that will not continue post-Merger is indicative of the business had the Transactions been consummated as of September 30, 2017 for purposes of the unaudited pro forma condensed combined balance sheet and as of January 1, 2016 for purposes of the unaudited pro forma condensed combined statements of operations.

The Merger Consideration will be allocated to the identifiable assets acquired and liabilities assumed based on their estimated relative fair values as of the date of the Merger. The impact of any preliminary fair value adjustments, if any, to the assets and liabilities of EFH from performing a purchase price allocation as of the closing of the Merger are assumed to be immaterial, as substantially all of the fair value of the transaction is expected to be attributable to the basis in EFH s investment in Oncor Holdings. Therefore, to the extent there are any other fair value adjustments that may give rise to potential amortization of basis adjustments in EFH s investment in Oncor Holdings, such adjustments and related amortization have not been included. The relative fair values of the assets acquired and liabilities assumed are estimates, which are subject to change pending further review. The actual amounts recorded as of the completion of the Merger may differ materially from the information presented in this unaudited pro forma condensed combined financial information.

We provide this unaudited pro forma condensed combined financial information for informational purposes only. This unaudited pro forma condensed combined financial information is based on numerous assumptions and estimates and is subject to other uncertainties. Among other things, this unaudited pro forma condensed combined financial information has been prepared on the assumption that the Transactions will be completed on the terms and in accordance with the assumptions reflected above and in the following Notes to Unaudited Pro Forma Condensed Combined Financial Information. Any changes in these assumptions (including, without limitation, any changes in the types or sizes of the Financing Transactions, the assumed interest and dividend rates on the long-term debt, short-term debt and Mandatory Convertible Preferred Stock we issue, the number of shares of common stock and Mandatory Convertible Preferred Stock we issue, the settlement prices and dates for, and manner in which we settle, the forward sale agreements, and the amounts of net proceeds we receive from the respective Financing Transactions) would result in a change in the unaudited condensed combined pro forma financial information, which could be material. We have also assumed that EFH s and EFIH s Chapter 11 bankruptcy proceedings will be concluded on the terms currently contemplated, including, without limitation, the settlement of EFH s and EFIH s liabilities and creditor and other claims in accordance with those contemplated terms. Accordingly, the unaudited pro forma condensed combined financial information does not purport to reflect what our results of operations or financial condition would have been had the Transactions actually occurred on the assumed dates, nor does it purport to project our future financial condition or results of operations.

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Unaudited Pro Forma Condensed Combined Balance Sheet

as of September 30, 2017

(dollars in millions)

	Sempra Energy, as Reported	Financing and Other (Note 4)	EFH, as Reported (Note 1)	Merger/ Bankruptcy Adjustments (Note 4)		Sempra Energy Pro Forma
ASSETS						
Current assets:						
Cash and cash equivalents	$ 189	$ 9,504(a)	$ 777	$ (10,279)(e)		$ 191
Restricted cash	59		10	(10)(e)		59
Other current assets	2,630		6	(6)(j)		2,630
Total current assets	2,878	9,504	793	(10,295)		2,880
Other assets:						
Investments	2,128		6,327	2,707(f)(g)	&nbany for publically traded companies. Revenue is attributed to a particular geographic region based on where the services are earned. The following tables set forth revenues by domestic versus international regions:	

	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Geographic region				
North America	$ 1,756,446	$ 1,215,511	$ 4,891,859	$ 3,120,544
Europe	346,385	-	346,385	-
Total revenues	$ 2,102,831	$ 1,215,511	$ 5,238,244	$ 3,120,544

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The discussion of the financial condition and results of operations of the Company set forth below should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this Form 10-Q. This Form 10-Q contains forward-looking statements that involve risks and uncertainties. The statements contained in this Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27a of the Securities Act and Section 21e of the Exchange Act. When used in this Form 10-Q, or in the documents incorporated by reference into this Form 10-Q, the words "anticipate," "believe," "estimate," "intend" and "expect" and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, without limitation, the statements regarding the Company's strategy, future sales, future expenses, future liquidity and capital resources. All forward-looking statements in this Form 10-Q are based upon information available to the Company on the date of this Form 10-Q, and the Company assumes no obligation to update any such forward-looking statements. The Company's actual results could differ materially from those discussed in this Form 10-Q. Factors that could cause or contribute to such differences ("Cautionary Statements") include, but are not limited to, those discussed in Item 1. Business — "Risk Factors" and elsewhere in the Company's Annual Report on Form 10-K, which are incorporated by reference herein and in this report. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on the Company's behalf, are expressly qualified in their entirety by the Cautionary Statements.

Company overview

Issuer Direct Corporation ("Issuer Direct", the "Company", "we" "us" or "our"), a Delaware corporation, is a disclosure management and targeted communications company. Our integrated platform provides tools, technologies and services that enable our clients to disclose and disseminate information through our network.

Business Acquisition & Recent Developments

On August 22, 2013, the Company, ISDR and PrecisionIR consummated an Agreement and Plan of Merger (the "Acquisition Agreement"). Under the terms of the Acquisition Agreement, the Company paid $3,450,000 to certain debtors of PIR as full consideration to acquire all of the outstanding shares of PIR.

Businesses

We have consolidated our revenue into three revenue streams: disclosure management, shareholder communications and software licensing. Historically, we had reported our revenues in five streams – compliance and reporting services, printing and financial communications, fulfillment and distribution, software licensing, and transfer agent services. As a result of the acquisition of PIR on August 22, 2013, we determined the reclassification of revenues from the combined companies was needed to reflect both our core services as well as the newly acquired business of PrecisionIR.

Disclosure management

Our core disclosure business consists of our traditional Edgarization, document management, typesetting and pre-press design services, as well as our XBRL tagging services. In addition we have blended our stock transfer business into our disclosure management to better reflect the businesses that are regulated by the Securities and Exchange Commission.

We continue to see moderate gains in this business during the period, specifically with the frequency of work from our corporate issuer clients. Additionally, we are experiencing growth in the larger cap market space and a retraction in the more competitive small cap space where we tend to generate less margins. As we focus our direct efforts upstream to the larger cap clients we anticipate this trend to continue. In contrast, we continue to operate our reseller business, Issuer Services, whereby we manage the back office functions for our partner's clients. This is where we anticipate some attrition in the smaller cap clients that we currently serve. However, this reseller business is responsible for the better portion of our mutual fund tagging engagements. This is a growth driver for this business unit, generating both higher margins and higher than normal revenues.

Shareholder communications

As part of our commitment to shareholder disclosure and improved corporate transparency, we continue to expand this business. As part of the revenue stream realignment we have moved our core press release distribution, investor relation systems, market data cloud business with the services of PrecisionIR (Investor Outreach, Annual Report Service, Investor Hotline and Webcasting), and our proxy and printing business. These products and services represent our shareholder communications business. By having our own market data cloud system for our press releases and investor relations systems, our products have been able to outperform our expectations. During fiscal 2014, we intend to begin licensing portions of our data business and application programming interfaces ("API's") to other providers and disseminators that are seeking a competitive replacement in the market.

Additionally, our shareholder communications business offers additional cloud-based product suites that provide both corporate issuer and market data distribution partners the ability to connect to our market data cloud to access virtually hundreds of customizable data sets for thousands of public companies, as well as the compliance driven modules of whistleblower, Profile+ and our e-Notify request system.

Software licensing

Revenues from this business still tend to be directly tied to our core businesses, disclosure management and shareholder communications. Specifically, when corporate issuers conduct an annual meeting, purchase or upgrade their investor relations system, or during annual or quarterly earnings season, we tend to license our technology platforms for each of these examples. Although revenues from this business remain relatively small, we expect them to grow significantly over the next fiscal year as we begin to productize some of our shareholder communications and disclosure management system.

We continue to believe there is a significant demand for better quality datasets. We still remain one of the only companies in this industry utilizing the core financial data of XBRL to power our fundamentals for our Stock Charting & Fundamentals system. Today, we house over 20,000 companies in our data-cloud, which encompasses stock information, profile data, financial data and reports, fundamentals, news, videos and presentations. Over the past nine-months we have continued to build these data sets into our Disclosure Management System (DMS). This disclosure system allows corporate issuers and their constituents the ability to create, edit and publish information form one interface to regulators, markets and shareholders.

Our Technology Platform - Disclosure Management System (DMS)

Our DMS is a secure cloud-based business process reporting and automation solution that gives users the ability to disclose, manage, and communicate their respective messages from our enterprise SaaS network. Our unique disclosure process aims to create efficiencies not previously possible in areas of normal regulatory business functions of the public markets, where we can clearly improve processes, streamline complexities, while reducing expenditures, generally associated with reporting and disclosure.

Our DMS is the only secure workflow technology available today that allows officers, directors, compliance and investor relations professionals the ability to manage the entire back-office functions of their respective companies from one interface.

The industry as a whole has chosen to focus their solutions and platforms on one single business process or in some cases is dependent on a complex ERP or accounting system integration in hope of providing a clear ROI over long-term period. Unfortunately this approach required companies to invest deeply in enterprise wide systems, for the promise of efficiencies and cost savings. Our approach has been to focus on a collection of business processes that typically overlap service organizations, that have either been cumbersome, costly or broken; then, integrate, streamline and improve the flow of information in a more transparent and accurate manner, putting the control back in the hands of our clients. The result is better controls, improved processes, efficient disclosure and increased communication.

Today, the platforms that make up our disclosure management system are used by over 1,400 issuers, and mutual funds and by thousands of officers, directors and compliance and communication professionals. The systems include the following:

- Regulatory compliance (Edgar & EBRL)
- Real-time Financial Reviewers Guide
- Investor Relation content management (CMS - content management system)
- News Distribution
- Webcasting / earnings calls
- Annual Meeting planning and real-time proxy voting system
- Stock issuances, and shareholder reporting

- Social integration and investor outreach communications
- Print on Demand & digital document library
- Company Spotlight and Annual Report Content Management

Our Brands & Subsidiaries

- Issuer Direct
- PrecisionIR Group, Inc., and its subsidiaries
- Direct Transfer (Wholly owned subsidiary – Direct Transfer, LLC.)
- QX Interactive (Wholly owned subsidiary – QX Interactive, LLC.)
- Issuer Services
- iProxyDirect
- iRDirect
- XBRL Check
- XAS Cloud

Results of Operations

Comparison of results of operations for the three and nine-month periods ended September 30, 2013 and 2012

	Three months ended September 30,		Nine months ended September 30,	
Revenue Streams	2013	2012	2013	2012
Disclosure management				
Revenue	$857,759	$916,636	$3,133,812	$2,100,342
Gross Margin	$613,715	$681,385	$2,320,965	$1,423,918
Gross Margin %	72 %	74 %	74 %	68 %
Shareholder communications				
Revenue	$1,150,666	$250,547	$1,842,098	$874,858
Gross Margin	$777,142	$145,466	$1,127,600	$446,060
Gross Margin %	68 %	58 %	61 %	51 %
Software licensing				
Revenue	$94,406	$48,328	$262,334	$145,344
Gross Margin	$84,442	$47,828	$250,435	$143,600
Gross Margin %	89 %	99 %	95 %	99 %
Total				
Revenue	$2,102,831	$1,215,511	$5,238,244	$3,120,544
Gross Margin	$1,475,299	$874,679	$3,699,000	$2,013,578
Gross Margin %	70 %	72 %	71 %	65 %

Revenues

Total revenue increased by $887,320, or 73%, to $2,102,831 during the three-month period ended September 30, 2013, as compared to $1,215,511 during the same period of fiscal 2012. The overall increase during the three-month period ended September 30, 2013 as compared to the same period of fiscal 2012 is primarily due to an increase in shareholder communications revenue of $900,119. Total revenue increased by $2,117,700, or 68%, to $5,238,244 during the nine-month period ended September 30, 2013, as compared to $3,120,544 during the same period of fiscal 2012. The overall increase during the nine-month period ended September 30, 2013 as compared to the same period of fiscal 2012 is primarily due to an increase in disclosure management revenue of $1,033,470, and an increase in shareholder communications revenues of $967,240. The increase in shareholder communications revenue during both the three and nine month periods ended September 30, 2013 as compared to the same periods of fiscal 2012 are primarily due to the inclusion of revenue from PrecisionIR between the date of the acquisition, August 22, 2013, and September 30, 2013.

Disclosure management revenue decreased $58,877, or 6%, during the three-month period ended September 30, 2013 as compared to the same period in fiscal 2012. While we anticipate that the company will continue to achieve moderate gains in this revenue stream as previously stated, revenue was down slightly during this period as management focused on pre and post-closing conditions as well as the necessary integration with PrecisionIR. With the inclusion of the PrecisionIR customer base, we believe we now have a better opportunity to gain market share and revenue in this business and move upstream and provide more services to larger issuers, and also continue to secure more clients under annual contracts. Disclosure management revenue increased $1,033,470, or 49%, during the nine-month period ended September 30, 2013 as compared to the same period in fiscal 2012. The increase in revenue from disclosure management services during the nine month period ended September 30, 2013 as compared to the same period of fiscal 2012 is primarily attributable to the final phase in of the SEC's three-year mandate for companies to begin filing quarterly and annual reports in XBRL format. A large portion of our clients prior to the acquisition of PrecisionIR were small reporting companies, and those companies were first required to file quarterly and annual reports in XBRL format for all periods ended after June 15, 2011. During the first six months of fiscal 2012, our small reporting clients were required to file their quarterly and annual reports in XBRL; however, they were first required to file in XBRL with detail footnote tagging for periods ended after June 15, 2012. When the requirement for detail footnote tagging became effective, we were able to significantly increase our revenue per client. Therefore, the increase in revenue in the nine-month period ended September 30, 2013 as compared to the same periods in fiscal 2012 are largely because of the additional revenue earned from detail footnote tagging in the first half of fiscal 2013.

Shareholder communication revenue increased by $900,119 and $967,240 during the three and nine-month periods ended September 30, 2013, respectively, as compared to the same periods in fiscal 2012. The increase in shareholder communication revenue is almost entirely attributable to the inclusion of PrecisionIR revenue of $931,955 between August 22, 2013, the date of the acquisition, and September 30, 2013. We anticipate that we will achieve significant growth in shareholder communication revenue in the future due to the acquisition of PrecisionIR. Furthermore, our revenues from these services have largely been project based in the past, however a significant portion of PrecisionIR revenues are earned under annual contracts, and therefore this revenue stream will become more predictable in the future.

Software licensing revenues increased by $46,078, or 95%; and $116,990, or 80%; respectively, during the three and nine-month periods ended September 30, 2013 as compared to the same periods in fiscal 2012, due partially to increased revenue from our market streams and investor relations platform. We earned revenue of $30,033 from PrecisionIR's webcasting business between August 22, 2013, the date of the acquisition, and September 30, 2013, which also attributed to the increase in revenue from software licensing.

No customers accounted for more than 10% of the operating revenues during the three and nine-month periods ended September 30, 2013 or September 30, 2012.

Cost of Revenues and Gross Margin

Cost of revenues consists primarily of direct labor costs, third party licensing, warehousing, logistics, print production materials, postage, and outside services directly related to the delivery of services to our customers. Cost of revenues increased by $286,700, or 84%; and $432,278, or 39%; during the three and nine-month periods ended September 30, 2013 as compared to the same periods of fiscal 2012. However, overall gross margins increased by $600,620, or 69%, to $1,475,299 during the three-month period ended September 30, 2013 as compared to $874,679 in the same period of fiscal 2012. Overall gross margins increased by $1,685,422, or 84%, to $3,699,000 during the nine-month period ended September 30, 2013 as compared to $2,013,578 in the same period of fiscal 2012. Gross margins for the three-month period ended September 30, 2013 decreased slightly to 70% of revenue compared to 72% of revenue during the same period of fiscal 2012. Gross margins for the nine-month period ended September 30, 2013 increased to 71% of revenue compared to 65% of revenue during the same period of fiscal 2012.

We achieved margins of 72% and 74%, respectively, from our disclosure management services during the three and nine-month periods ended September 30, 2013 as compared to 74% and 68% in same periods of fiscal 2012, primarily due to our XBRL service offerings, as we continue to gain operational efficiencies in performing these services.

Gross margins from our shareholder communications services increased to 68% and 61% of revenue during the three and nine-month periods ended September 30, 2013, respectively, as compared to 58% and 51% in the same periods of fiscal 2012. As previously stated, our revenues from these services increased significantly in fiscal 2013 due to the inclusion of PrecisionIR revenues. PrecisionIR has historically achieved margins of approximately 70% from these services, which has attributed to the improvement in gross margins in fiscal 2013, and should also lead to higher margins in the future.

Gross margins from software licensing were 89% and 95%, respectively, during the three and nine-month periods ended September 30, 2013, as compared to 99% and 99%, respectively, in the same periods of fiscal 2012. Software revenue now includes PrecisionIR's webcasting business, which will result in higher revenues in the future, but at slightly lower margins due to the cost of performing those services.

General and Administrative Expense

General and administrative expenses consist primarily of salaries, stock based compensation, insurance, fees for professional services, general corporate expenses and facility and equipment expenses. General and administrative expenses increased by $287,093 during the three-month period ended September 30, 2013 as compared to the same period in fiscal 2012. The increase in the three-month period ended September 30, 2013 as compared to the same period of fiscal 2012 was primarily due to an increase in professional services, including legal, accounting, and other consulting services, of $90,230 in our core Issuer Direct business largely due to the acquisition of PrecisionIR, and also the inclusion of PrecisionIR general and administrative expenses of $134,126 from August 22, 2013 through September 30, 2013. General and administrative expenses increased by $414,849 during the nine-month period ended September 30, 2013 as compared to the same period of fiscal 2012. The increase in the nine-month period ended September 30, 2013 as compared to the same period of fiscal 2012 was primarily due to an increase in professional services of $185,132 in our core Issuer Direct business largely due to the acquisition of PrecisionIR and therefore are primarily non-recurring, the inclusion of PrecisionIR general and administrative expenses of $134,126 from August 22, 2013 through September 30, 2013, and an increase in bad debt expense of $70,590 as we have grown our accounts receivable.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, stock based compensation, sales commissions, sales consultants, advertising expenses, and marketing expenses. Sales and marketing expenses increased by $209,916 during the three-month period ended September 30, 2013 as compared to the same period in fiscal 2012. Sales and marketing expenses increased by $151,100 during the nine-month period ended September 30, 2013 as compared to the same period in fiscal 2012. During both the three and nine-month periods ended September 30, 2013, the inclusion of PrecisionIR sales and marketing expenses contributed to $197,330 of the overall increase as compared to the same period of fiscal 2012. As a percentage of revenue, sales and marketing expense was 18% and 14% during the three-month periods ended September 30, 2013 and 2012, and 15% and 19% during the nine-month periods ended September 30, 2013 and 2012. We anticipate that sales and marketing expense in the future will continue to be in these ranges or lower.

Depreciation and Amortization

Depreciation and amortization expenses during the three and nine-month periods ended September 30, 2013 increased by $111,116 and $107,192, respectively, as compared to the same periods of fiscal 2012. The increases are almost entirely attributable to the amortization of intangible assets recorded as result of the acquisition of PrecisionIR from August 22, 2013 to September 30, 2013.

Interest Income (Expense)

Net interest expense during the three and nine-month periods ended September 30, 2013 increased by $153,398 and $155,126, respectively, as compared to the same periods of fiscal 2012. On August 22, 2013, in connection with and to partially fund the acquisition and simultaneously with the acquisition of PIR the Company entered into a Securities Purchase Agreement (the “8% Note Purchase Agreement”) relating to the sale of $2,500,000 aggregate principal amount of the Company’s 8% convertible secured promissory note (“8% Note”) with Red Oak Partners LP (“Red Oak”). The 8% Note will pay interest on each of March 31, June 30, September 30 and December 31, beginning on September 30, 2013, at a rate of 8% per year. The 8% Note will mature on August 22, 2015. Beginning immediately upon the date of issuance, Red Oak or its assigns may convert the 8% Note into shares of the Company’s common stock at a conversion price of $3.99 per share. In the event that the Company issues preferred stock in the future at a price below $3.99 per share, the conversion price would be adjusted to the per share price at which the preferred stock it sold. The conversion price will be adjusted for certain events, such as stock dividends and stock splits. On the date the Company entered into the 8% Note Purchase Agreement, the Company’s stock price was $8.20 per share, and therefore the Company assigned a value of $2,500,000 to the common stock conversion feature and recorded this as debt discount and additional paid in capital. The debt discount is being amortized over the two year life of the 8% Note. During the three and nine-month periods ended September 30, 2013, the Company recorded non-cash interest expense of $134,408 and cash interest expense of $21,739 related to the 8% Note, which attributed almost entirely to the increase in interest expense.

Income Tax Expense

The company recorded income tax expense during the three and nine-month periods ended September 30, 2013 of $72,294 and $475,294, respectively, based on our estimated effective tax rate for fiscal 2013. The company recorded income tax expense during the three-and nine month periods ended September 30, 2012 of $137,000 and $123,500, respectively, based on our estimated effective tax rate for fiscal 2012 through the end of the third quarter.

Net Income

Net income for the three-month period ended September 30, 2013 was $117,344 as compared to $213,591 in the same period of fiscal 2012. Although our gross profit was significantly higher as previously discussed, we incurred significant non-cash expenses for amortization related to the acquisition of PIR, and incurred significant non-cash interest expenses related to the 8% Note with Red Oak, which had a negative impact on net income. Net income for the nine-month period ended September 30, 2013 was $697,964 as compared to $192,603 in the same period of fiscal 2012. The increase in net income during the nine months ended September 30, 2013 was due primarily to the increase in total revenue and gross profit previously discussed.

Liquidity and Capital Resources

As of September 30, 2013, we had $1,926,674 in cash and cash equivalents and $1,688,385 net accounts receivable. Current liabilities at September 30, 2013, totaled $3,928,264 including our accounts payable, deferred revenue, line of credit, accrued payroll liabilities, accrued postage, income taxes payable, and other accrued expenses. At September 30, 2013, our current assets exceeded our current liabilities by $528,570.

As of September 30, 2013, we owed $500,000 under our line of credit, as we borrowed $500,000 on the line to partially finance the acquisition of PrecisionIR. Effective April 30, 2013, we renewed our line of credit and increased the amount of funds available to 75% of eligible accounts receivable, as defined in the line of credit agreement, up to a maximum of $2,000,000. As of September 30, 2013, the Company had approximately $355,000 remaining for future borrowings under the line of credit based on the calculation of eligible accounts receivable.

On August 22, 2013, in connection with and to partially fund the acquisition and simultaneously with the acquisition of PIR, the Company entered into a Securities Purchase Agreement (the "8% Note Purchase Agreement") relating to the sale of $2,500,000 aggregate principal amount of the Company's 8% convertible secured promissory note ("8% Note") with Red Oak Partners LP ("Red Oak"). The 8% Note will pay interest on each of March 31, June 30, September 30 and December 31, beginning on September 30, 2013, at a rate of 8% per year. The 8% Note will mature on August 22, 2015. If event of default occurs pursuant to the terms of the 8% Note, the interest rate immediately increases to 18%. The 8% Note is secured by all of the assets of the Company and is subordinated to the Company's obligations to its primary financial institution. Beginning immediately upon the date of issuance, Red Oak or its assigns may convert the 8% Note into shares of the Company's common stock at a conversion price of $3.99 per share. The conversion price will be adjusted for certain events, such as stock dividends and stock splits.

We manage our cash flow carefully with the intent to meet our obligations from cash generated from operations. However, it is possible that we will have to raise additional funds through the issuance of equity in order to meet our debt obligations. There can be no assurance that cash generated from operations will be sufficient to fund our operating expenses, to allow us to continue paying dividends, or meet our other obligations, and there is no assurance that debt or equity financing will be available, or if available, that such financing will be upon terms acceptable to us.

2013 Outlook and Strategy

The following statements and certain statements made elsewhere in this document are based upon current expectations. These statements are forward looking and are subject to factors that could cause actual results to differ materially from those suggested here, including, without limitation, demand for and acceptance of our services, new developments, competition and general economic or market conditions, particularly in the domestic and international capital markets. Refer also to the Cautionary Statement Concerning Forward Looking Statements included in this report.

The Company's outlook for the remaining part of 2013 is strong. By factoring in the business of PrecisionIR with Issuer Directs' core operations, management continues to feel confident in its ability to execute against its objectives and strategy, and to generate significant growth in revenue and earnings before interest, taxes, depreciation, and amortization expense over the next several quarters.

We will spend a considerable amount of time in the remaining part of 2013 and all of 2014 expanding the revenues per issuer, something the Company refers to as the ARPI, (Average Revenue Per Issuer) – The execution of this strategy will allow the Company to deliver on its growth plans as well as increase its market share in the businesses it focuses. It is our belief; we will have success expanding the number of services per client, as well as the continued organic success in acquiring new clients.

In North America we will continue to execute on our initiatives of market expansion while maintaining our overall margins in our core business as well as our newly acquired shareholder communication business from PrecisionIR.

In Europe, we are focused on expanding new opportunities with the exchanges as well as the leading brokerage communities. We believe that the PrecisionIR business will allow us to explore new markets for our core disclosure business.

Overall, the demand for corporate services continues to be strong in the segments we serve. In a portion of our business, we will continue to see demand shift from traditional printed materials to more of a hybrid or print-on-demand solution. We are positioned uniquely in this space to be both competitive and agile to deliver these solutions to the market at the same or higher gross margins.

We expect to continue to focus on the following key strategic initiatives during the remaining part of 2013:

- The final steps in integration between Issuer Direct and the global operations of PrecisionIR;
- Profitable sustainable growth;
- Continue to generate significant cash flows from operations;
- Increase ARPI; and
- Expand customer base.

We continue to believe there is significant demand for our products among the large, middle and small cap markets that are seeking to find a better systems and tools to disseminate and communicate their respective messages.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable

ITEM 4. CONTROLS AND PROCEDURES.

As of the end of the period covered by this quarterly report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer conducted an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934). Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective and have not changed since its most recent annual report.

Changes in Internal Control over Financial Reporting

During the three month period ended September 30, 2013, we acquired PrecisionIR , which significantly increased the size of our business. We have reviewed the internal control processes of PrecisionIR, and we regularly review our system of internal control over financial reporting to ensure we maintain an effective internal control environment. We do not believe that the acquisition of PrecisionIR or any other changes in our internal control that occurred during the period covered by this Quarterly Report on Form 10-Q have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

A larger portion of our revenue is now generated overseas and the unstable global financial markets may adversely impact our revenue.

A larger portion of our revenue is now generated in Europe. Global financial markets have experienced extreme disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. We are unable to predict the likely duration and severity of the effects of these disruptions in the financial markets and the adverse global economic conditions, and if the current uncertainty continues or economic conditions further deteriorate, our business and results of operations could be materially and adversely affected. The consequences of such adverse effects could include interruptions or delays in our ability to perform services.

The conversion by Red Oak under its 8% convertible promissory note at $3.99 per share will cause dilution and the resale of the shares of common stock by Red Oak into the public market, or the perception that such sales may occur, could cause the price of our common stock to fall.

On August 22, 2013, the Company entered into the 8% Note Purchase Agreement relating to the sale of $2,500,000 aggregate principal amount of the Company's 8% Note with Red Oak Partners. The 8% Note will mature on August 22, 2015. Beginning immediately upon the date of issuance, Red Oak or its assigns may convert the 8% Note into shares of the Company's common stock at a conversion price of $3.99 per share. At such a conversion price, Red Oak may potentially convert into 626,566 shares of our common stock, or approximately 24% of our current number of shares outstanding after conversion. On the date the Company entered into the 8% Note Purchase Agreement, the Company's stock price was $8.20 per share. The conversion price will be adjusted for certain events, such as stock dividends and stock splits. Additionally, as part of the 8% Note Purchase Agreement, the Company granted Red Oak certain registration rights. Specifically, the Company has agreed, within six months following the closing of the purchase and sale of the 8% Note, to file with the SEC a registration statement covering the resale of the shares issuable upon conversion of the 8% Note. Either through Rule 144 of the Securities Act or the registration statement, the resale of such a substantial number of shares of our common stock relative to our current market capitalization into the public market by Red Oak, or the perception that such sales may occur, could significantly depress the market price of our common stock and cause substantial dilution to our existing stockholders.

There have been no other material changes to our risk factors as previously disclosed in our most recent 10-K filing.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On August 22, 2013, the Company entered into a 8% Note Purchase Agreement relating to the sale of $2,500,000 aggregate principal amount of the Company's 8% Note with Red Oak. Beginning immediately upon the date of issuance, Red Oak or its assigns may convert the 8% Note into shares of the Company's common stock at a conversion price of $3.99 per share for up to a potential of 625,566 of our shares of common stock. The securities issued to Red Oak were not registered under the Securities Act of 1933, as amended, or the securities laws of any state, and were offered and sold in reliance on the exemption from registration under the Securities Act of 1933, as amended, provided by Section 4(2) and Regulation D (Rule 506) under the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURE.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

(a) Exhibits.

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ISSUER DIRECT CORPORATION

November 14, 2013	By:	/s/ Brian R. Balbirnie Brian R. Balbirnie Chief Executive Officer

By: /s/ Wesley Pollard
Wesley Pollard
Chief Financial Officer