



Sustainability Report

2023

Highlights



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About

SDG&E is an innovative energy company that serves the people and businesses of San Diego and southern Orange counties. For more than 140 years, the people of SDG&E have worked daily to power the lives of the 3.7 million community members that depend on them today.

SDG&E is committed to helping meet California's goal to reach net-zero greenhouse gas emissions (GHG) by 2045 and supports this work by increasingly delivering energy from low or zero-carbon sources, investing in electric vehicle (EV) infrastructure and investing in innovative technologies to support the reliable operation of the grid.

Message from leadership

There is little doubt that our climate is changing. Over the last 10 years, we've seen some of the hottest global temperatures on record.

In California, the effects are already being felt through more frequent and severe wildfires, droughts, floods, heatwaves and cold spells. The costs and health consequences impact our state, region and communities.



Yet despite the threats and challenges of climate change, we have reason to find hope. As we work to reach our aim of net zero emissions by 2045, SDG&E is focused on pursuing climate solutions with the potential to yield significant benefits for the communities we serve. We are listening to our stakeholders who have told us they support our region's transition to renewable energy, but they also want clean air, a thriving economy, natural and cultural resource protections and affordable monthly bills.

With an international port and the nation's busiest border crossing, the pollution from the region's transportation sector is among the highest in the state. SDG&E is proactively working with our communities to support the anticipated rise in electric vehicles (EVs) over the next decade. Through collaboration, SDG&E is expanding our region's charging infrastructure in public spaces, along trucking and shipping corridors and in multi-family housing to make driving electric more accessible.

We are mindful of the unique cultural and biological diversity of our region and are working with stakeholders to protect and respect those resources. In 2023, our collaboration with local tribal leaders to recognize the sacred landscape of Laguna Mountain and the surrounding area was acknowledged with a prestigious Governor's Historic Preservation Award. And we are working alongside partners, like the city of San Diego, to help plant native trees to support

our urban canopy to reduce energy use, conserve water and promote clean air.

We also understand the importance of affordable energy – especially in a region already known for its high cost of living. Affordable electricity is critical to help customers choose electric home appliances and vehicles, which are key to achieving California's climate goals. SDG&E is pursuing federal funding for critical electric infrastructure and customer refunds, as well as opportunities to modernize electric rates.

Developing solutions to help mitigate climate change and make our communities more resilient to its impacts is not just our business at SDG&E. It is also the mission of our 4,800+ employees who live, work and play in this beautiful region we call home. We have much to do to meet our climate goals, and I believe that through collaboration and innovation, we can together create a future that allows us to thrive.

Thank you for joining us in this inspiring and challenging work.

A handwritten signature in black ink, appearing to read 'Estela de Llanos'.

Estela de Llanos

Vice President of Land and Environmental Services
and Chief Sustainability Officer

2023 by the numbers

240MW

energy storage added in 2023, totaling 380MW of available utility-scale storage capacity for grid resiliency

~25%

overall fleet electrified, nearly 30% light duty fleet electrified and over 5% overall fleet zero-emissions vehicles at year-end 2023¹

\$16M+

shareholder investments in 2023 to support local communities and customers in need of bill assistance including through the Neighbor-to-Neighbor program

>40

endangered & threatened species protected throughout 2.6M acre service area under SDG&E's 55-year Habitat Conservation Plan amended in 2023

18

years ranked #1 for "keeping the lights on" by PA Consulting ReliabilityOne® Best in West award

62%

waste diverted from landfills in 2023, from vegetation management activities that help keep the region safe

84%

recycled water use in 2023, total water use at generation sites and occupied facilities is ~434M gallons

76

non-SF₆ distribution switches and two 69kV circuit breakers placed in service since 2020

50%

renewable electricity sourced for SDG&E customers in 2023²

~\$1.1B

diverse suppliers spend represents >43% of total procurement in 2023, exceeding CPUC requirements

2,000+

cumulative overhead miles hardened, 1,000+ transmission and 1,000+ distribution miles

15,000+

trees provided in 2023 to support local biodiversity, promote intelligent water use and remove carbon from the atmosphere

¹ CPUC and CARB Zero-Emission Vehicle technologies definition includes full battery electric vehicles (BEV), plug-in hybrid electric vehicles and hydrogen fuel cell vehicles. Fleet goals contingent on original equipment manufacturer vehicle availability and funding approval through the California Public Utilities Commission (CPUC).

² SDG&E's Renewable Portfolio Standard (RPS) position for 2023 is estimated and is subject to verification. It is expected to be finalized in August 2024. SDG&E's annual estimates of RPS compliance are likely to vary year-over-year due to portfolio rebalancing related to portfolio allocations to load-serving entities and customer load departure to community choice aggregators.

Doing business sustainably



Investing in safe and resilient operations



Engaging people and communities



Innovating for the future



In 2020, SDG&E launched the company's living sustainability strategy, which contained a series of aspirational goals focused on building a more equitable and sustainable future for the communities it serves. SDG&E's sustainability strategy is centered on people - employees, customers, suppliers, contractors and stakeholders - and seeks to help communities across its diverse service area become healthier, safer and stronger in the face of climate change.

This work is aligned with California's ambitious climate agenda, including the mandate to reach net-zero GHG emissions by 2045, and the three key areas of Sempra's sustainable business strategy:

- Investing in safe and resilient operations
- Engaging people and communities
- Innovating for the future

SDG&E reports key sustainability information annually through Sempra's Corporate Sustainability Report and continues to update its stakeholders periodically on sustainability progress at sdge.com/sustainability and sdgenews.com.



Investing in safe and resilient operations

From investments in wildfire mitigation and climate adaptation measures to establishing rigorous cybersecurity and employee, contractor and vendor protections, SDG&E manages its business with safety and resiliency top of mind.

SDG&E's highest priority is protecting the public and the people who support the regional energy grid. This approach led SDG&E to establish several innovative programs designed to help keep employees and communities safe, while also reducing the environmental impact of company operations.

Protecting communities

Managing critical energy infrastructure poses various risks, which is why SDG&E has such a focus on safety for employees, contractors, customers and the community.

- In August 2023, SDG&E prepared for Tropical Storm Hilary - the first in more than 80 years to hit the San Diego region. In the days leading up to the historic storm, SDG&E increased field crews and staged equipment throughout its service area to help respond to potential power outages and restore service as quickly and safely as conditions would allow. Proactive communications on the storm's anticipated strength and route helped customers stay informed during the weather event. Communities throughout the region followed SDG&E's guidance, taking precautions such as securing outdoor items and preparing for potential power outages. The storm brought torrential rain and high winds, but with help from customer preparation and SDG&E's long-term resiliency investments, the electric infrastructure held up well, demonstrating that emergency preparedness and response is truly a community effort.
- SDG&E created an Industrial Athletics program designed to proactively prevent injuries in field employees and contractors. Created in 2021 and developed to initially support represented employees, the program employs four coaches who specialize in mobility, biomechanics and strength training. The team also provides assessments and support to help employees from the field or office understand the importance of proper nutrition, sleep, hydration, mobility and stability - all keys to preventing injuries and developing health, wellness and fitness.

- Thanks to robust customer communications about the importance of calling utility providers before tackling construction projects, SDG&E had the lowest excavation damage rate in the company's history in 2023. Social media posts, news articles and an engaging campaign featuring employee pets were used to raise awareness of dialing 811 two days before a project to have SDG&E mark service lines, allowing contractors and homeowners to avoid dig ins.

Preserving biodiversity

SDG&E is a leader in environmental stewardship with projects ranging from habitat conservation and tree planting to employee volunteerism and the deployment of innovative nature-based solutions to help solve business challenges.

- Since 1995, SDG&E has operated under a Habitat Conservation Plan (HCP), which allows the company to construct and operate energy infrastructure while also protecting threatened and endangered species and their habitats. Last year, the U.S. Fish & Wildlife Service approved an amendment to SDG&E's HCP that modernizes its environmental stewardship measures and supports SDG&E's innovative wildfire safety and mitigation work. SDG&E has a service area of 4,100 square miles that includes one of the most biologically diverse areas of the U.S. with approximately 200 imperiled plants and animals. The amended plan extends habitat protection benefits to all places where SDG&E operates

and maintains infrastructure, and is designed to provide conservation benefits to more than 40 endangered, threatened or rare species - including bald and golden eagles.

- In 2021, SDG&E started a collaboration with local bee conservation organization, We Save Bees, to relocate bees from company infrastructure to safe places. Last year, the collaboration resulted in the creation of San Diego's first utility-owned bee sanctuary. The new bee sanctuary bolsters local biodiversity and helps restore the bee population, which is essential to the production of food. Now, when a bee swarm or hive is relocated, the essential pollinators are safely transported to a new hive at an isolated SDG&E South Bay substation.

Reducing waste

SDG&E has set a goal to divert 100% of our facilities-related waste from landfill and 100% of organic green waste from vegetation management activities by 2030. In pursuit of this goal, the company has made great strides in waste diversion.

- SDG&E's vegetation management team trims an estimated 180,000 trees each year, an activity important for reducing wildfire ignition risks and supporting energy reliability. Rather than sending this organic material to the landfill, SDG&E works with local businesses to convert cut trees into compost, mulch and topsoil sold to farmers, landscapers and gardeners to nourish soil.

- Food insecurity is a common concern for San Diego. In an effort to divert healthy unused food from landfills, SDG&E sought help from nonprofit Jewish Family Service of San Diego. Each Friday afternoon, volunteers from the SDG&E Green Team pick up excess food from company cafes and deliver it to Jewish Family Service for redistribution through the organization's Corner Market program. SDG&E's initiative started in late summer 2023 and to date has provided over 1,000 pounds of fresh, healthy food and snacks to local families in need.



Engaging people and communities



A core value for SDG&E is to champion people. One way that SDG&E delivers on this commitment is through engaging directly with stakeholders to develop creative solutions to help address community needs.

Whether it is through workforce development programs, employee volunteerism or ongoing cross-sector collaboration, SDG&E continues to support the vibrant economy and culture of the region in balance with the financial health and physical wellness of the people who live here – company employees and their families included.

Investing in the community

In April 2023, SDG&E launched a new \$10 million shareholder-funded program to support local nonprofit, community-based organizations that provide essential services to vulnerable residents.

Recognizing the financial hardship many in the community are facing as a result of inflation and an unstable economy, the SDG&E Community Assistance Fund focuses its resources on expanding the reach and impact of critical services.

In an effort to help ease the inflationary pressure felt throughout 2023, SDG&E also increased funding to \$6 million for its Neighbor-to-Neighbor Bill Assistance program. The additional funds helped double the amount of financial support available to each qualifying customer and expanded eligibility so that more customers could take advantage of the program.

Developing the current and future workforce

SDG&E's goal is to inspire and train the next generation of leaders and help build a robust local economy through creating and retaining quality jobs at SDG&E and with the vendors and contractors who broadly support the energy industry.

This work is done alongside local partners to help shape a brighter future for all of San Diego.

Firefighter training program

In collaboration with several regional fire training programs, SDG&E helped support more than 80 cadets graduate with the skills and certifications needed to be hired as firefighters in San Diego or beyond. Through scholarships provided by SDG&E, low-income and underrepresented individuals can pursue fire training and help keep the local community safer in the process.

Inspiring future leaders STEM scholarships program

Last year, SDG&E launched a scholarship program designed to help local high school and college students – many of them first-generation college students – pursue degrees in science, technology, engineering and mathematics (STEM). The program builds on the company's long history of investing in STEM education to develop the region's diverse and

highly skilled workforce. Scholarships of \$10,000 each, which can be renewed annually, were awarded to 10 women and students of color from within SDG&E's service territory to help these students overcome financial barriers to higher education.

Women in construction trades

With women underrepresented in the California construction industry, SDG&E saw an opportunity to support a more diverse workforce. Since 2020, the company has supported the National Women in Construction camp, which is a one-week summer program that exposes about 80 girls in grades 7-12 to the construction trades.

SDG&E IT associate program

From supporting energy generation and delivery to engaging customers on usage and conservation, technology is an important part of SDG&E's operations. In an effort to recruit innovative and diverse talent to the company, SDG&E has an IT Associates program, which is one of several rotational programs the company offers.

The program hires recent college graduates and provides real-world training by rotating IT Associates through three assignments. Program participants work side-by-side with industry experts to support strategic business goals and technology systems. Each associate is provided formal training and assigned a mentor to further their career growth as they prepare for placement upon program completion.





Innovating for the future

Project by project, SDG&E is continuing to help build a more just and equitable clean energy future that helps reduce GHG emissions, improve air quality and support environmental equity.

As climate change accelerates, SDG&E remains committed to developing innovative solutions that can support the rapid decarbonization of transportation and buildings while enhancing resiliency for the communities it is privileged to serve. The region's modernized grid continues to evolve with responsive technology, designed for reliability and increasingly powered by renewable energy sources.

Developing utility-scale storage

Getting to carbon-free electricity in California by 2045 requires not just an abundance of renewable energy generation, but also the ability to store it

for use when clean sources, like wind and solar, are not available. In 2023, SDG&E increased its energy storage capacity by completing two additional utility-owned facilities totaling 171 MW – enough to power almost 130,000 homes for up to four hours. SDG&E's largest storage asset – the 131 MW Westside Canal project in Imperial Valley – helps soak up a high concentration of solar and wind to make this clean power available to customers at night or during inclement weather. The company's second-largest storage project also opened in Fallbrook with 40 MW of storage capacity. SDG&E's energy storage is available to participate in the California Independent System Operator (CAISO) market, which means these resources can help balance the grid and meet state energy demand as needed.

Piloting cleaner fuels

Cleaner fuels like hydrogen can help SDG&E and California reach carbon neutrality by 2045. SDG&E is actively exploring hydrogen use cases for

net-zero power generation, gas system blending, vehicle fueling and resiliency. SDG&E looks forward to producing hydrogen at Palomar Energy Center to blend with natural gas for power generation, for use as a cooling gas and to fuel hydrogen fuel cell electric vehicles in its fleet. The company is also collaborating with the University of California San Diego to advance a hydrogen blending pilot that will study the impact of blending up to 20% hydrogen with natural gas in the pipeline. The research will help SDG&E and others understand the effects of blended gas on existing infrastructure, informing a future hydrogen blending injection standard for California. All SDG&E projects to date utilize clean hydrogen produced via electrolysis.

Collaborating with industry leaders

A collaboration between SDG&E and Toyota will research vehicle-to-grid or V2G options for battery EVs. V2G technology allows EV owners and operators to take advantage of bidirectional power

flow, meaning they can use the grid to charge their vehicle and discharge energy back to the grid from their vehicle's on-board batteries. This innovative technology can improve energy reliability and resilience, integrate more renewables to the grid and reduce electricity costs. SDG&E's collaboration with Toyota will help both companies understand charging habits for EV owners, find synergies between the needs of EV owners and the grid and explore how to best communicate the potential benefits of bidirectional charging.

Increasing community resilience

SDG&E completed the construction of four microgrids in 2023 to help support community resilience and increase the availability of renewable energy in the San Diego region. Located at company substations in Clairemont, Paradise, Boulevard and Tierrasanta, the new microgrids are equipped with a collective total of 39 MW of energy storage, which will be connected to CAISO to help the state meet high energy demand during hot summer evenings when solar power dissipates. The small-scale grids can also operate independently or in parallel to the larger grid to help keep critical community facilities like police and fire stations, schools and Cool Zones, powered during both unexpected outages as well as Public Safety Power Shutoffs (PSPS).

Expanding the EV fleet charging

In March, SDG&E unveiled four public, direct current fast chargers at a truck stop just north of the Otay Mesa Port of Entry - the busiest commercial border crossing in California. These chargers provide high power charging for electric trucks, delivery vans, buses and other large vehicles and help diversify energy sources for the transportation sector. They can also be used to charge passenger cars. The Otay Mesa Port of Entry processes nearly one million commercial trucks and five million privately-owned vehicles each year. The new chargers, whose underlying infrastructure was built through SDG&E's Power Your Drive for Fleets program, should help improve air quality in the region as idling vehicles waiting to cross the border contribute to some of the highest levels of air pollution in San Diego County, impacting vulnerable populations.

Mitigating wildfire risk

Recent studies indicate that climate change has increased both the frequency and intensity of wildfires in California. To combat this threat in Southern California, SDG&E created an innovative technology solution. The Wildfire Next Generation System (WiNGS) is a cloud-based tool that combines visual representations of the company's

infrastructure with real-time weather data and information, such as historical ignitions, tree strike analysis, wildfire modeling and critical customer locations. The state-of-the-art system models climate scenarios and recommends potential grid hardening initiatives, such as prioritizing and strategically undergrounding power lines in high-risk areas, to help prevent utility-related wildfires, reduce the likelihood and duration of PSPS, and mitigate the risks of climate change. WiNGS has not only become an important tool to help reduce the chances of a utility-related wildfire, but also a resource to inform ongoing practices and additional improvements that SDG&E can make to combat the effects of climate change and year-round wildfire threats.

Conclusion

SDG&E believes in the power of collaboration. One area where the company puts this belief into practice is the electric vehicle space.

Transportation is California's single largest source of GHG emissions and a major source of air pollution. That is why SDG&E continues to work collaboratively and creatively to make driving electric easier and more affordable.

Working across sectors to benefit communities

In 2023, the Accelerate to Zero (A2Z) coalition finalized a strategy to achieve the San Diego region's transportation electrification goals. A pioneering collaborative of public, private and nonprofit organizations, A2Z was formed in 2021. The group completed a regional gap analysis and developed a strategy to make it easier for local residents and businesses to transition EVs, plug-in hybrids and hydrogen fuel cell vehicles. SDG&E continues to work with the 13 members of A2Z to secure new funding for the region to advance transportation electrification to benefit local communities.

Making electric vehicles accessible to more customers

SDG&E has hosted an annual EV Day for the past decade – a free event that invites residential customers to test drive and learn more about driving electric. In 2022, the company added a second event focused on helping commercial customers transition their fleet to electric. Last year, more than 5,000 people attended both events, making these some of the region's largest EV gatherings to date.

In addition to helping customers electrify their vehicles, SDG&E leads by example, supporting employees through an EV incentive program funded by shareholder dollars. Approximately 20% of SDG&E's workforce drives EVs.

Expanding regional charging infrastructure

In an effort to accelerate the adoption of EVs, SDG&E has extended its Power Your Drive program, which provides low-cost charging stations at popular community destinations like parks and beaches as well as workplaces and multi-unit dwellings. For fleet operators, SDG&E

provides consulting services and builds make-ready infrastructure to support charging station installations.

Through various clean transportation programs, SDG&E installed over 4,000 charging stations at 392 locations - including 10 new Level 2 chargers on tribal lands through a collaboration with the San Pasqual Band of Mission Indians. The tribe now has nearly 100 chargers on its land, outnumbering gas stations two to one and representing an important step forward as they seek to build a clean energy future for the next generation.

SDG&E is proud of the advancements enabled through its collaboration with community, industry and policy stakeholders and looks forward to continuing to support the transition to electric vehicles in its service territory.

Forward-looking statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on assumptions about the future, involve risks and uncertainties, and are not guarantees. Future results may differ materially from those expressed or implied in any forward-looking statement. These forward-looking statements represent our estimates and assumptions only as of May 9, 2024. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise.

In this report, forward-looking statements can be identified by words such as “believe,” “expect,” “intend,” “anticipate,” “contemplate,” “plan,” “estimate,” “project,” “forecast,” “envision,” “should,” “could,” “would,” “will,” “confident,” “may,” “can,” “potential,” “possible,” “proposed,” “in process,” “construct,” “develop,” “opportunity,” “preliminary,” “initiative,” “target,” “outlook,” “optimistic,” “poised,” “maintain,” “continue,” “progress,” “advance,” “goal,” “aim,” “commit,” or similar expressions, or when we discuss our guidance, priorities, strategy, goals, vision, mission, opportunities, projections, intentions or expectations.

Factors, among others, that could cause actual results and events to differ materially from those expressed or implied in any forward-looking statement include: California wildfires, including potential liability for damages regardless of fault and any inability to recover all or a substantial portion of costs from insurance, the wildfire fund established by California Assembly Bill 1054, rates from customers or a combination thereof; decisions, investigations, inquiries, regulations, denials or revocations of permits, consents, approvals or other authorizations, renewals of franchises, and other actions, including the failure to honor contracts and commitments, by the (i) California Public Utilities Commission (CPUC), U.S. Department of Energy, U.S. Federal Energy Regulatory Commission, U.S. Internal Revenue Service and other regulatory bodies and (ii) U.S. and states, counties, cities and other jurisdictions therein where we do business; the success of business development efforts and construction projects, including risks related to (i) completing construction projects

or other transactions on schedule and budget, (ii) realizing anticipated benefits from any of these efforts if completed, (iii) obtaining third-party consents and approvals, and (iv) third parties honoring their contracts and commitments; macroeconomic trends or other factors that could change our capital expenditure plans and their potential impact on rate base or other growth; litigation, arbitrations and other proceedings, and changes to laws and regulations, including those related to tax and trade policy; cybersecurity threats, including by state and state-sponsored actors, of ransomware or other attacks on our systems or the systems of third parties with which we conduct business, including the energy grid or other energy infrastructure; the availability, uses, sufficiency, and cost of capital resources and our ability to borrow money on favorable terms and meet our obligations, including due to (i) actions by credit rating agencies to downgrade our credit ratings or place those ratings on negative outlook, (ii) instability in the capital markets, or (iii) rising interest rates and inflation; the impact on affordability of our customer rates and our cost of capital and on our ability to pass through higher costs to customers due to (i) volatility in inflation, interest rates and commodity prices and (ii) the cost of meeting the demand for lower carbon and reliable energy in California; the impact of climate and sustainability policies, laws, rules, regulations, disclosures and trends, including actions to reduce or eliminate reliance on natural gas, increased uncertainty in the political or regulatory environment for California natural gas distribution companies, the risk of nonrecovery for stranded assets, and uncertainty related to relevant emerging and early-stage technologies; weather, natural disasters, pandemics, accidents, equipment failures, explosions, terrorism, information system outages or other events, such as work stoppages, that disrupt our operations, damage our facilities or systems, cause the release of harmful materials or fires or subject us to liability for damages, fines and penalties, some of which may not be recoverable through regulatory mechanisms or insurance or may impact our ability to obtain satisfactory levels of affordable insurance; the availability of electric power, natural gas and natural gas storage capacity, including disruptions caused by failures in the transmission grid, pipeline system or limitations on the withdrawal of natural gas from storage facilities; and

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

These risks and uncertainties are further discussed in the reports that the company has filed with the U.S. Securities and Exchange Commission (SEC). These reports are available through the EDGAR system free-of-charge on the SEC’s website, www.sec.gov, and on Sempra’s website, www.sempra.com. Investors should not rely unduly on any forward-looking statements.

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