Sempra Energy®

achieving BALANCE

2013 Corporate Responsibility Report

Contents

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Cover: Elizabeth Nuñez, environmental training coordinator, Energía Costa Azul LNG terminal near Ensenada, Baja California, Mexico

About this report

Achieving balance is Sempra Energy's® corporate responsibility report for the year 2013. It qualifies at level B of the Global Reporting Initiative's G3.1 Sustainability Reporting Guidelines and covers all businesses and facilities where we have operational control. Additional businesses and facilities are included where noted. The Environmental, Health, Safety and Technology Committee of Sempra Energy's board of directors reviewed this report prior to publication.

In a world of limited resources, Sempra must operate in a way that is both sustainable and prudent. When we use resources wisely and manage risk effectively, we continue to provide benefit to company stakeholders. *Achieving balance* includes a description of Sempra's approach to risk management (see page 16) as well as discussion, throughout the report, of issues relevant to our company. For a list of these issues, please see *Materiality* on page 3.

Why corporate responsibility matters

At Sempra Energy, we are successful when we use resources in a sustainable way; maintain strong relationships with our stakeholders (see sidebar on page 3 for more); and are open and honest about our performance and our approach to doing business. Investors and others look to our corporate responsibility report for a description of these aspects of our company — and also for data that allow them to assess our performance.

In terms of resources, we plan, build and operate our energy infrastructure in a sustainable way. We account for potential resource constraints through long-term contracts, which also minimize financial risk. And our low-carbon strategy means that the infrastructure we develop provides low- or zero-carbon energy, which we believe will continue to be in demand for decades to come.

Jonathan Torres, electric distribution analyst, SDG&E

Strong stakeholder relationships are essential:

- To build needed energy infrastructure we must earn the trust of customers and communities and gain approval from regulators;
- To deliver safe and reliable energy we must foster an employee culture that prioritizes safety and outstanding performance; and
- To maintain an innovative and ethical culture we must recruit and retain the best employees and treat them with respect.

Finally, we strive to be straightforward and transparent when we discuss our business approach and performance. We identify issues of potential concern; seek feedback and listen to suggestions for how we might improve; and respond and adapt as appropriate.

Materiality

The Global Reporting Initiative encourages companies to report on issues that have significant economic, environmental and social impacts. An independent materiality assessment, combined with approximately 120 stakeholder responses to our annual corporate responsibility survey, indicate that the 12 issues listed below are material to Sempra Energy. *Achieving balance* covers each of these topics:

- acting in an ethical manner (pages 19–20);
- adapting to changes in the energy industry (pages 52–57);
- assuring the safe operation of systems and facilities (pages 46–47);
- charging fair and transparent rates (page 50);
- complying with environmental regulations (pages 32–33);
- controlling air emissions (pages 28–31);
- focusing on employee health and safety (pages 39–41);
- maintaining a solid corporate governance structure (pages 22–24);
- managing and responding to community concerns (pages 26, 46–54 and 56);
- providing reliable and responsive service (pages 47–49);
- reducing environmental impacts (pages 25–28 and 32–38); and
- supporting employee involvement in the community (pages 50–51).

Your feedback continues to guide our reporting. To share your priorities or provide other comments, please complete our annual survey at sempra.com/responsibility or contact:

MOLLY CARTMILL
director – corporate social responsibility
mcartmill@sempra.com or corporateresponsibility@sempra.com

Sempra Energy's stakeholders

Our stakeholders represent a broad range of interests and perspectives. They include employees, shareholders, customers, regulators, intervenors, labor unions, vendors, board members, community groups, business partners, policymakers and the media.

At Sempra Energy, we recognize that we have an impact on our stakeholders. Likewise, these stakeholders impact our business. Engaging with our stakeholders means we listen and learn; build trust; and consider, prioritize and integrate their input. This leads to a more stable and predictable business environment.

Letter from our chairman and CEO

Debra L. Reed, chairman and CEO, Sempra Energy

Sempra Energy's 17,000 employees work to develop and deliver the energy that gives our customers light, heat and power. But while the need for energy is clear, delivering it involves complex choices.

- Renewable energy from solar or wind is clean — but it is not always available.
- When used to fuel power plants, natural gas produces power that is reliable and affordable — and it is certainly cleaner than coal — yet it results in greenhouse gas emissions.
- Even in the areas of energy efficiency and innovation there are tradeoffs. More-efficient double-paned windows and alternative-fuel vehicles are each more expensive than their traditional counterparts.

To succeed and grow as a company, we must balance these choices: The energy we develop and deliver must be safe, clean, reliable and affordable.

In this year's corporate responsibility report, *Achieving balance*, we describe how we are balancing the needs of our many stakeholders. For our shareholders, the focus is on financial performance, growth and producing an increasing dividend. Regulators and policymakers want us to operate safely and efficiently, while delivering cleaner energy. Our employees and suppliers must be engaged in their work, with a strong focus on safety.

And our customers want energy that is safe and reliable — yet also clean and affordable.

At Sempra Energy, achieving balance is not simple or straightforward, but it is critical to our success. Thank you for your continued interest in our company and for your feedback on how we can continue to contribute to a safe and sustainable future.

DEBRA L. REED
chairman and CEO, Sempra Energy

"Achieving balance is not simple or straightforward, but it is critical to our success."

overview of our

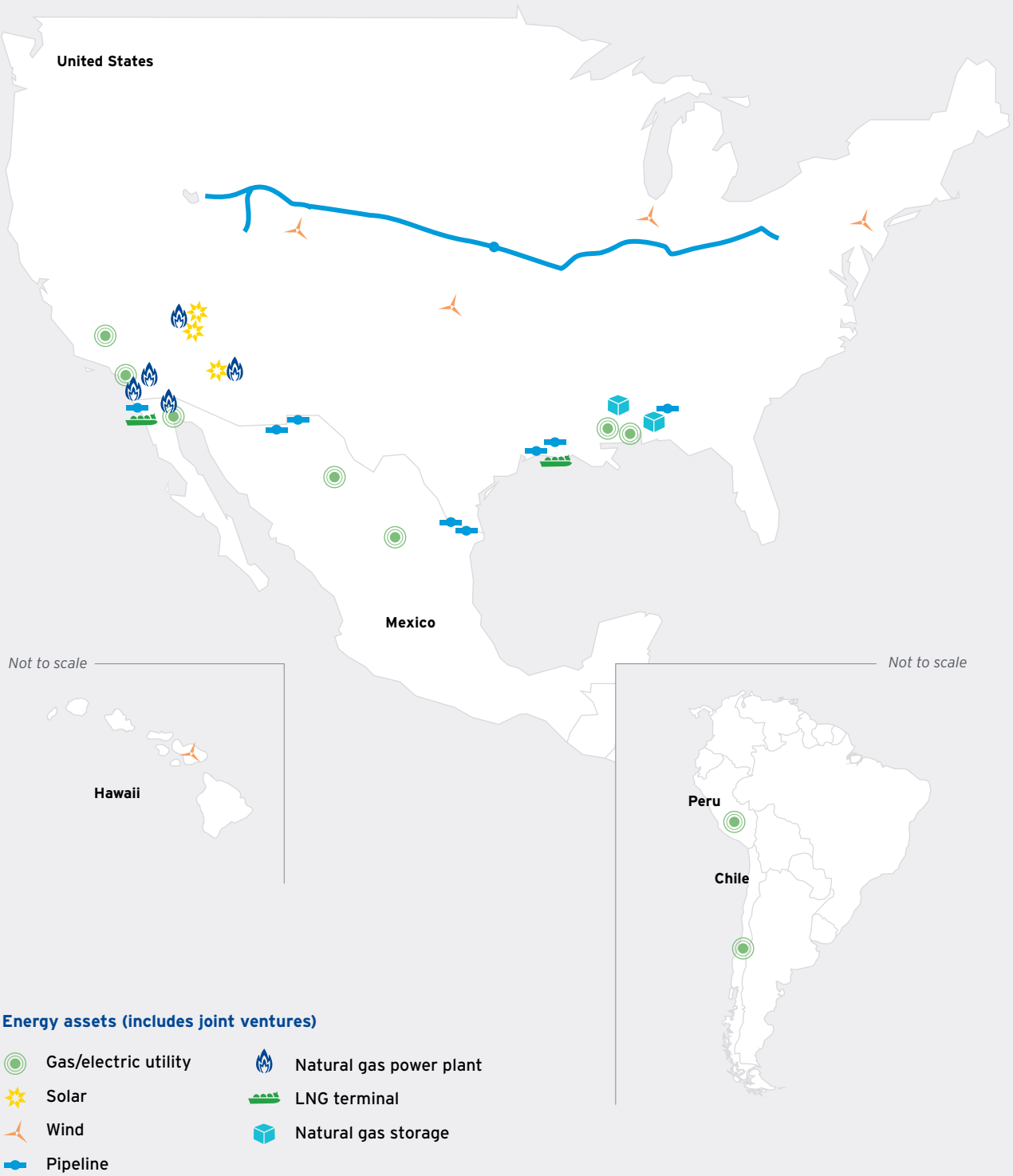
BUSINESS

Todd Holt and Dave Hoover, solar power operators, at Sempra U.S. Gas & Power's jointly owned Copper Mountain Solar 3 in Boulder City, Nev.

Sempra Energy is a Fortune 500 energy services holding company serving more than 31 million consumers worldwide through four business units. The company was created in 1998 by a merger of two investor-owned utilities with rich histories dating back more than a century: San Diego Gas & Electric® and Southern California Gas Company. Two additional business units – Sempra U.S. Gas & Power and Sempra International – invest in, develop and operate critical energy infrastructure and provide gas and electricity services in North and South America.

Sempra Energy's ongoing focus is to enhance shareholder value and meet customer needs by sustaining the financial strength, operational flexibility and skilled workforce needed to succeed amid changing market conditions. The company's low-carbon business strategy prioritizes energy efficiency, cleaner natural gas, renewable power and innovation.

Our assets


United States
Mexico
Not to scale
Hawaii
Not to scale
Peru
Chile
Energy assets (includes joint ventures)
Gas/electric utility
Solar
Wind
Pipeline
Natural gas power plant
LNG terminal
Natural gas storage

31 million

consumers served worldwide, through four business units

Left to right: SoCalGas is the largest natural gas distribution utility in the U.S. | SDG&E serves customers in San Diego and southern Orange counties.

Business units*

Southern California Gas Company

Southern California Gas Company (SoCalGas®) began serving customers in Los Angeles in 1867. Today, the company is the largest natural gas distribution utility in the U.S., serving more than 21 million consumers across 20,000 square miles throughout central and Southern California. The company operates about 102,500 miles of natural gas transmission, distribution and service pipelines and 136 billion cubic feet of natural gas storage at four locations within its service territory. Up to 75 percent of its natural gas supplies are imported from out of state, depending on the time of year. Approximately 8,200 employees work for SoCalGas.

San Diego Gas & Electric®

San Diego Gas & Electric (SDG&E®) lit its first lamp on San Diego streets in 1881. Today the utility provides safe and reliable energy to 3.4 million consumers across 4,100 square miles from Orange County to the Mexican border. The company's infrastructure includes approximately 15,000 miles of natural gas transmission, distribution and service pipelines; approximately 26,000 miles of electric transmission and distribution lines; and four natural gas-fired power plants capable of generating nearly 1,200 megawatts of power. SDG&E meets about 40 percent of its customers' energy needs through power generation facilities it owns and operates. The utility employs approximately 4,500 people who work to deliver the energy its customers need.

* *2013 numbers are used throughout this report with the exception of these business unit descriptions, where some figures have been updated and are current as of March 2014.*

Left to right: Sempra International serves customers in Mexico, Chile and Peru. | Sempra U.S. Gas & Power develops low- and zero-carbon energy infrastructure.

Sempra International

Through its subsidiaries, Sempra International builds and operates energy infrastructure in Latin America, provides electricity to 7 million consumers in Chile and Peru, and distributes natural gas to nearly 400,000 consumers in Mexico. Company infrastructure includes a 625-megawatt natural gas-fired power plant; nearly 2,200 miles of natural gas transmission and distribution pipelines; and a liquefied natural gas (LNG) receipt terminal. Company plans include a 1,200-megawatt wind-power facility, with phase 1 currently under construction, and a 100-megawatt hydroelectric facility, scheduled to begin service in 2014. About 3,400 Sempra International employees serve customers, primarily through its South American utilities.

Sempra U.S. Gas & Power

Sempra U.S. Gas & Power develops low- and zero-carbon energy infrastructure. The company's natural gas-fired and renewable power plants** generate nearly 2,000 megawatts of clean energy and include two of the largest photovoltaic solar facilities in the United States. Sempra U.S. Gas & Power's liquefied natural gas (LNG) receipt terminal along the U.S. Gulf Coast plans to add liquefaction capabilities in the coming years. Company infrastructure also includes 30.5 billion cubic feet of natural gas storage and 5,806 miles of natural gas pipelines. The company also serves nearly 260,000 consumers through two natural gas distribution utilities: Mobile Gas in Alabama and Willmut Gas in Mississippi. About 600 employees work to meet the needs of Sempra U.S. Gas & Power customers.

*** Includes jointly owned plants*

We're listening

Please complete our brief online survey at sempra.com/responsibility and let us know which issues are most important to you.

Sempra U.S. Gas & Power, LLC and Sempra International, LLC are not the same company as the California utilities, San Diego Gas & Electric (SDG&E) or Southern California Gas Company (SoCalGas), and Sempra U.S. Gas & Power, LLC and Sempra International, LLC are not regulated by the California Public Utilities Commission.

$1 billion

in earnings on revenues of $10.6 billion

Year in review

2013 was a strong year for Sempra Energy. The company and its business units met key operational objectives while achieving earnings of $1 billion on revenues of $10.6 billion. We also laid the foundation for future growth.

We made steady progress on plans for a liquefied natural gas (LNG) export facility at the site of the Cameron LNG receipt terminal in Hackberry, La. Local stakeholder input was incorporated into these plans (see *Responding to the community at Cameron LNG* on page 49 for more). Project leaders signed 20-year tolling capacity and joint-venture agreements to support the development, financing and construction of the facility. Both agreements are subject to a final investment decision to proceed by each party; finalization of permit authorizations; securing of financing; and other customary conditions. In early 2014, we announced that the U.S. Department of Energy issued a conditional authorization that allows Cameron LNG to export domestically produced LNG to countries that do not have a free trade agreement with the U.S. Construction is on track to begin in the second half of 2014.

Sempra International launched the initial public offering for IEnova, a Sempra Energy company. IEnova is the first energy company to be listed on the Mexican stock exchange. IEnova began construction of a $1 billion natural gas pipeline network connecting the states of Sonora and Sinaloa in northwestern Mexico with U.S. markets.

Sempra International, through its subsidiaries, continued to distribute natural gas to customers in Mexico and electricity to customers in Chile and Peru. Regrettably, two serious safety incidents occurred at a Sempra International subsidiary early in the year. The causes were identified and steps were taken to prevent recurrence.

Left to right: Jeff Carpenter, solar plant operator, Sempra U.S. Gas & Power | In 2013, Sempra shared plans to move into a new headquarters building in downtown San Diego, Calif.

Sempra International also continued to develop needed energy infrastructure. It received approvals from Mexico's Energy Regulatory Commission (CRE), from Mexico's Ministry of Environment and Natural Resources (SEMARNAT) and from the U.S. Department of Energy to begin construction of the first phase of Energía Sierra Juárez, a planned 1,200-megawatt wind power facility in the mountains of La Rumorosa in Baja California, Mexico. Sempra International's Peruvian subsidiary Luz del Sur continued work on a 100-megawatt hydroelectric power plant – construction should be completed in 2014.

Sempra U.S. Gas & Power achieved several milestones in 2013. Mesquite Solar 1 (150 megawatts) near Phoenix, Ariz., and the first phase of Copper Mountain Solar 2 (92 megawatts) in Boulder City, Nev., were both dedicated. Subsequently, the company announced an agreement with Consolidated Edison Development for joint ownership of both facilities. Sempra U.S. Gas & Power also dedicated its 21-megawatt Auwahi Wind project on the southeast coast of Maui, Hawaii. It also sold a 625-megawatt block of its 1,250-megawatt Mesquite Power natural gas-fired power plant in Arizona and acquired the rights to develop the 75-megawatt Broken Bow 2 wind project in Nebraska. Construction also began on a new pipeline that will connect the company's jointly owned Rockies Express Pipeline to the Marcellus Shale region in the northeast U.S., a significant step to achieving east-to-west flow capabilities.

In mid-2013, San Diego Gas & Electric and Southern California Gas Company received a final decision from the California Public Utilities Commission (CPUC) on their joint 2012 General Rate Case, establishing the operating budgets for each utility from 2012 through 2015. Although the decision did not authorize all of the activities and improvements proposed by the utilities, it did approve important safety enhancements to energy infrastructure. These include the implementation of transmission and distribution integrity management programs; operational enhancements to protect against wildfires, including replacing wood poles with steel poles in high fire-risk areas; and the semi-annual submittal of a gas system safety report.

Additional technology, energy efficiency and customer service improvements were also implemented at our California utilities.

SDG&E collaborated with consumer groups, solar advocates and others to propose state legislation that returns electric ratemaking authority to the CPUC. The bill, Assembly Bill 327, was signed into law by California Gov. Jerry Brown. It allows the CPUC to update California's 12-year-old electric rate structure so it better reflects the cost of operating and maintaining the electric grid and providing electric service to customers.

New choices for Southern California customers

With natural gas prices near historic lows in the United States, customers are seeking new ways to use this cleaner energy source. In 2013, the California Public Utilities Commission (CPUC) issued a decision to allow SoCalGas to build, own and operate compression facilities that will supply natural gas to compressed natural gas (CNG) vehicle fueling stations. Once CNG fueling infrastructure is more widely available, customer interest in natural gas vehicles will likely increase, for both environmental and economic reasons.

In 2013, SoCalGas also received approval from the CPUC to offer a new biogas conditioning service. Biogas conditioning enables this low carbon fuel to enter the market using existing natural gas infrastructure.

CNG pump in Lancaster, Calif., SoCalGas

IEnova became the **first energy company** to be listed on the Mexican stock exchange.

SDG&E installed smart grid technologies, including wireless sensors that detect and convey information about outages; and devices that ease the integration of renewable energy onto the electric grid. More than 23 percent* of the energy the utility delivered to its retail customers in 2013 came from renewable energy sources. The company announced five power-purchase agreements for 62 additional megawatts of renewable power, which it plans to deliver to customers in future years. SDG&E also introduced new tools and tips to help customers learn how to manage energy costs.

SoCalGas continued installing advanced meters, with 1.1 million installed by the end of the year. These devices let customers view hourly and daily natural gas usage information along with estimated costs. In addition, the company worked to support the development of natural gas technologies and vehicles: introducing four prototype vehicles; announcing a $1 million innovation fund; and launching a partnership to develop near-zero emission natural gas engines. Additionally, SoCalGas began work on a $200 million project to install new, more energy-efficient electric turbines and technology at its Aliso Canyon natural gas storage reservoir in Northridge, Calif.

In 2013, SDG&E was notified by Southern California Edison, the majority owner of the San Onofre Nuclear Generating Station, that a decision had been made to permanently retire units 2 and 3 of the power plant due to operational issues. As a 20 percent owner of the plant, SDG&E is now working through legal and regulatory channels to protect the interests of its customers and shareholders, as work to close the multi billion-dollar facility begins. The utility is also identifying ways to replace the power that would have been generated had the 2,150-megawatt power plant continued to operate.

Sempra Energy announced key leadership changes as part of leadership succession planning and in conjunction with planned officer retirements. The company also completed its biannual employee engagement survey and shared plans to move into a new headquarters building in downtown San Diego in 2015.

Mark Snell, president; Luis Téllez, board member; Debra Reed, chairman and CEO; and Carlos Ruiz, chairman and CEO of IEnova marked the successful initial public offering of IEnova at the Mexican stock exchange in Mexico City in June, 2013.

** These results subject to audit by the CPUC and other regulatory agencies.*

LEADERSHIP Q&A

OCTÁVIO SIMÕES senior vice president, Sempra International and president, Sempra LNG

"Think about the U.S. exporting natural gas to markets that currently rely on countries such as Russia or Iran for their natural gas."

1 **The expansion of Cameron LNG to allow for liquefaction is pretty significant to Sempra Energy. Can you describe the decision-making process that led the company to pursue this project?** Because of the very large amount of natural gas now available in the U.S., we started to look at developing a project to capitalize on the infrastructure that already exists at Cameron.

Many LNG liquefaction plants are located in very isolated places in Africa, Australia or the southwest Pacific. The challenge with building in these types of locations is that you have a lack of skilled labor and a lack of infrastructure. This means more possibility for delays and construction challenges. In the United States, these risks are reduced.

However, we would still factor commodity risk into our decision-making; this is a 20-year project and we expect that natural gas prices will fluctuate quite a bit during two decades. To deal with this, we developed a new company where we will work with partners. They will be responsible for purchasing and bringing the gas to our facility; we will liquefy it, for a fee; and then they will take it away and sell it. With this structure, Sempra does not accept any gas price risk.

2 **Many other countries are looking to develop hydraulic fracturing, which would allow them to extract their own natural gas. When that happens, won't demand for U.S. natural gas drop?** Shale gas is not the same everywhere. Massive infrastructure makes it possible to extract: You need pipes, maintenance shops, a skilled workforce and significant water infrastructure. These things all exist in the United States. In other countries it would take decades and billions of dollars to develop them. So while they might have a lot of gas, the cost of extracting it is just too high and the timing is unpredictable.

3 **The U.S. will soon become a net exporter of energy. What is the impact of that?** Expanding the export of LNG from the United States could really change the geopolitical map. Think about the U.S. exporting natural gas to markets that currently rely on countries such as Russia or Iran for their natural gas. Beyond that, the availability of affordable LNG on the world market will make it desirable for many countries to switch their economies from oil- to gas-based. The environmental benefit of this would be substantial.

Artist's rendering of Cameron LNG terminal near Hackberry, La.

2013 by the numbers

Revenues (millions)	**$10,557**
Earnings (millions)	**$1,001**
Adjusted earnings (millions)[1]	**$1,043**
Earnings per diluted share	**$4.01**
Adjusted earnings per diluted share[1]	**$4.18**
Total assets (millions)	**$37,244**
Employees	**17,100**
Total generating capacity (megawatts)	**3,163**
Renewable capacity (megawatts)	**720**
Consumers served	**~31,000,000**
Kilowatt-hour sales (millions of hours)[2]	**40,146**
Total natural gas throughput (billion cubic feet)	**1,146**
Electric transmission and distribution lines (miles)	**48,622**
Natural gas pipelines (miles)	**123,426**
LNG regasification capacity (billion cubic feet/day)	**2.5**
Natural gas storage capacity (billion cubic feet)	**167**
Philanthropic contributions (millions)	**$15.4**

[1] *Please see page 62 for an explanation of these non-GAAP financial measures.*

[2] *Kilowatt-hour figures are based on percent ownership in 2013. Included in this total are 3,752 million kilowatt hours of intercompany sales.*

Financial performance and economic value generated

In 2013, Sempra Energy enjoyed one of the best years in its history, meeting key financial and operational objectives while advancing its strategic plan and growing its dividend. The company's total shareholder return was 30 percent compared with 13 percent for the Standard & Poor's (S&P) 500 Utilities Index. Sempra Energy's 2013 earnings were $1 billion on revenues of $10.6 billion.

A company's financial performance matters, not just to its employees and shareholders, but also to its suppliers and contractors; to the customers it serves; and to the communities and governmental jurisdictions where it does business. The economic value a company creates is distributed to these stakeholders in the form of wages and benefits; payments for operating costs; payments to shareholders; payments to governments in the form of fees or taxes; and contributions to community organizations.

Sempra Energy headquarters in downtown San Diego, Calif.

$11.3 billion

in direct economic value generated

In 2013, Sempra Energy and its business units generated direct economic value of $11.3 billion*. Of this amount, $9 billion*, or 80 percent, was distributed to stakeholders in the form of payments or investments. The remainder was retained by the company to sustain performance and growth.

- Sempra Energy and its business units employed 17,000 people who earned $1.95 billion* in wages and benefits in 2013.
- Operating costs were $5.3 billion*, which included payments made to a wide range of suppliers including diverse business enterprises (DBEs). For more on DBE spending, see page 35.
- We paid $423 million* in federal, state and local taxes and fees. This figure includes permitting and environmental compliance fees and taxes paid to governments in Mexico, Chile and Peru.
- We paid $1.35 billion* in dividends to shareholders – and in interest to financial institutions and other providers of capital.
- Sempra Energy, our business units and the Sempra Energy Foundation made $15.4 million* in grants and donations to support the communities where we operate. This figure represents 1.1 percent of our pretax income.

* *These figures determined according to the guidelines provided by the Global Reporting Initiative.*

Consolidated data

Dollars in millions, except per-share amounts

		2013	2012	2011
Revenues		$10,557	$9,647	$10,036
Earnings		$1,001	$859	$1,331
Adjusted earnings[1]		$1,043	$1,073	$1,054
Earnings per share of common stock:	**Basic**	$4.10	$3.56	$5.55
	Diluted	$4.01	$3.48	$5.51
	Adjusted diluted[1]	$4.18	$4.35	$4.36
Weighted average number of common shares outstanding (diluted, in millions)		249.3	246.7	241.5
Total assets		$37,244	$36,499	$33,249
Common dividends declared per share		$2.52	$2.40	$1.92
Debt to total capitalization		52%	55%	51%
Book value per share		$45.03	$42.43	$40.74
Capital expenditures & investments		$2,594	$3,401	$3,785

[1] *Please see page 62 for an explanation of these non-GAAP measures.*

managing

RISK AND GOVERNANCE

Jacob Phillips, field operations supervisor – transmission, at SoCalGas' Needles Field Station in Needles, Calif.

Sempra Energy's 17,000 employees work every day to deliver clean, safe and reliable energy to more than 31 million consumers in the United States, Mexico, Chile and Peru. We embrace our values, maintain high performance standards and effectively manage risks to achieve strong business performance.

Risk management

To ensure the continued smooth operation of our business, Sempra Energy must identify, assess and mitigate a complex set of risks, challenges and uncertainties.

- Sempra U.S. Gas & Power is planning to construct an LNG liquefaction facility to export natural gas from the U.S. to markets overseas. Over the 20-year life of the project, we expect that natural gas prices will fluctuate. To mitigate this commodity price risk, we executed contracts where partners will purchase and transport the gas to our facility; we will liquefy the gas for a fixed fee and then transfer it back to the partner; and the partner will then export the gas to other countries.
- Sempra's business units operate 123,426 miles of natural gas pipelines and 48,622 miles of electric lines. Our employees work to maintain and enhance public safety, yet there are inherent risks associated with operating this type of infrastructure. To mitigate these risks, we inspect pipelines and transmission lines; identify operational risks; and require that risk owners develop mitigation plans and controls. We encourage a culture of safety where each employee feels accountable for their own safety as well as the safety of those around them. We also educate customers on gas and electric safety.

- Hurricanes, tornados, prolonged and extreme drought, windstorms, earthquakes and wildfires, and threats to physical security are risks to our businesses because of where we operate. We mitigate these risks by ensuring our facilities meet or exceed applicable building and asset-protection standards; by updating business resumption plans annually; and by conducting operational drills to practice responding to a range of simulated natural or human-made disasters. We also communicate with our customers on the importance of prevention and emergency preparedness.

Risk management personnel across the Sempra Energy family of companies use a range of tools to help mitigate risks. These include risk registries to list and track the key risks we have identified and assessed; risk maps to monitor and prioritize risks; and sensitivity analyses to determine the aggregate impact of different risk scenarios. Risk management leaders report their findings to executives who share them with business unit boards of directors as well as Sempra Energy's board of directors. These boards review and discuss these findings and direct company leaders to take action, as appropriate.

Risk management is a vital part of a company's corporate responsibility: By effectively managing risk, the company ensures that its operations run smoothly — and that it continues to provide benefit to company stakeholders.

Risk categories and descriptions

Financial & disclosure risks	Financial matters and risks, including accounting operations, financial reporting, treasury activity, market risk, credit risk, fluctuations in exchange and interest rates, commodity pricing, strategic risk and fraud risk.
Operations risks	Operations risks associated with planning, development, construction, utilization, physical protection and support of company infrastructure and assets. Information technology risks, including strategy, project management, supplier relationships, privacy, information security, cybersecurity, business resumption and business impact.
Environmental, regulatory & compliance risks	Risks related to regulatory matters, environmental regulations and compliance.
Health & safety risks	Risks and compliance matters related to health and safety, including those affiliated with the Occupational Safety and Health Administration requirements.
Reputational risks	Risk of loss resulting from damage to reputation, including consumer or regulatory trust, lost revenue or even losses in shareholder value. Risks resulting from lost confidence of key stakeholder groups, including employees, shareholders, customers, regulators, intervenors, labor unions, vendors, board members, community groups, business partners, policymakers and the media.

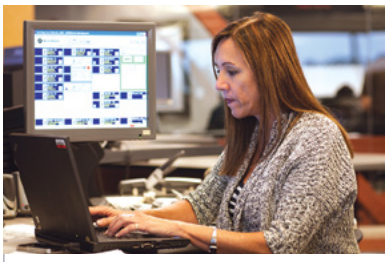
Cybersecurity and information technology risk

Cybersecurity includes the protection of our own operations and activities and the protection of sensitive customer data. The utility industry faces new cybersecurity risks associated with automated metering and smart grid infrastructure. Virtually all SDG&E customers have smart meters. Advanced meter deployment will be completed by 2017 in SoCalGas service territory.

While these new technologies will provide many benefits to customers, including access to their own energy-usage data, both utilities also actively monitor, assess and update their systems to avoid cyber breaches.

During the development of its smart grid deployment plan, SDG&E identified several smart grid security strategies that address customer privacy, cybersecurity and physical threats to infrastructure. Through its office of customer privacy, SDG&E has developed internal privacy controls to allow project teams to assess privacy risk in their activities as well in the activities of third parties.

SoCalGas advocates for energy privacy on behalf of its customers and is working with external partners to find ways to advance its customer privacy program.



Donna Beaver, senior business systems analyst, at SDG&E's Mission Control in San Diego, Calif.

LEADERSHIP Q&A

JOSEPH A. HOUSEHOLDER executive vice president and chief financial officer

"You want someone who is close to the operations of the business to be focused on the various risks within that business."

1 **As a holding company, does Sempra Energy manage risk or does it rely on its subsidiaries?** Each business unit leader is the risk manager for his or her business unit. We think this makes sense; you want someone who is close to the operations of the business to be focused on the various risks within that business. Sempra (*at the corporate level*) plays a role by establishing and updating a risk management framework that is implemented consistently across all our business units. And the Sempra Energy board of directors is responsible for oversight: They make sure the Sempra Energy management team is assessing, monitoring and managing risk appropriately.

2 **Can you think of an example where the Sempra board of directors had specific risk management-related concerns?** Absolutely. The members of our board see a range of approaches to risk management, often from the other boards they sit on. As a result, they often have questions. One example is in the area of cybersecurity. Our board wanted a deeper explanation of what we were doing on this topic. We organized a thorough review and our IT group now meets with the relevant committee of the board each year to review and update their approach.

Another example comes from two or three years ago: The board wanted to know how often we sought outside expertise in evaluating risk. We do this quite a bit, and I think they were satisfied.

3 **Risk management is often tied in pretty closely with opportunity creation. Can you describe an area where this is true for Sempra?** Probably the best example comes from the way we build projects. When we build, we want to make absolutely sure that we're doing it in a way that leaves the environment as undisturbed as possible. We do this because it's the right thing to do – but also because it minimizes the risk to our reputation. And when we protect our company's reputation, we improve our ability to bid on new projects, particularly ones where there are environmental considerations. We demonstrate competence and this creates opportunity.

Leonardo Prosperi, technical engineer, and John Matich, communications specialist, at Sempra U.S. Gas & Power's Performance Center in San Diego, Calif.

Ethics and compliance

At Sempra Energy, we maintain the highest standards of business conduct. We expect each employee to behave ethically every day. And we work to build a culture of personal responsibility.

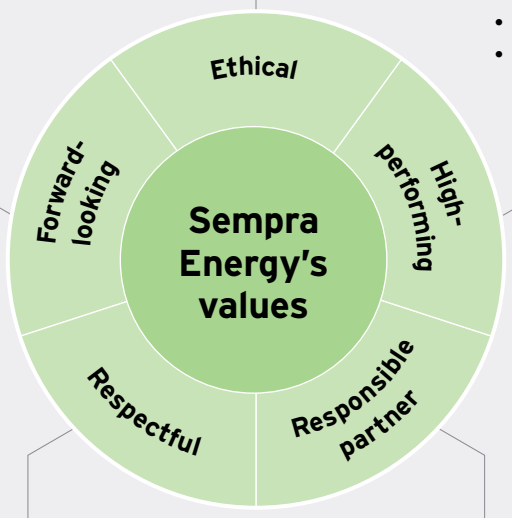
We also recognize that we have responsibilities as a company — to our shareholders; our employees; our suppliers; and the customers and communities we serve. All of these stakeholders are impacted by the way we conduct business and by how well we live our corporate values.

We expect each employee to behave ethically every day.

Do the right thing
- Act with honesty and integrity
- Be open and fair
- Keep our commitments
- Earn people's trust

Shape the future
- Think strategically and critically
- Anticipate market needs
- Actively pursue and create opportunities
- Implement with discipline, manage risks

Deliver outstanding results
- Set tough goals and achieve them, act with urgency
- Reward superior performance, acknowledge success
- Learn and improve
- Be accountable



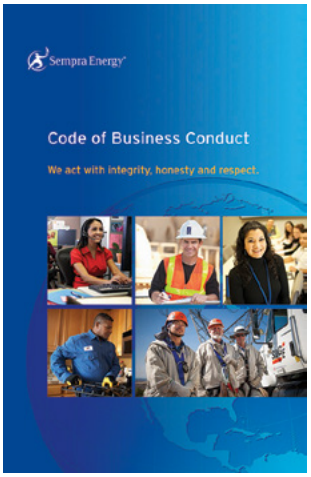
People matter
- Listen, communicate clearly, be candid
- Embrace diversity of people and perspective
- Contribute individually, succeed as a team
- Treat safety as a way of life

Create positive relationships
- Engage others, seek feedback, collaborate
- Support our communities
- Be a responsible environmental steward
- Do what we say we'll do

Our Code of Business Conduct

The Sempra Energy Employee Code of Business Conduct covers a wide range of topics relevant to responsible behavior. This document describes our company's expectation that each employee will act with integrity, honesty and respect in our workplace, in our communities, in our marketplace and for our shareholders. Topics covered by the Code include:

- Business conduct
- Making ethical decisions and reporting concerns
- Non-retaliation
- Safety
- Discrimination- and harassment-free workplace
- Violence in the workplace
- Substance abuse
- Confidential information and privacy
- Environmental protection
- Charitable activities
- Political engagement
- Anti-corruption and bribery
- Fair competition
- Regulatory compliance
- Business gifts or courtesies
- Conflicts of interest
- Intellectual property
- Financial records
- Internal business controls
- Company assets
- Media relations and online/social media
- Records management
- Securities trading

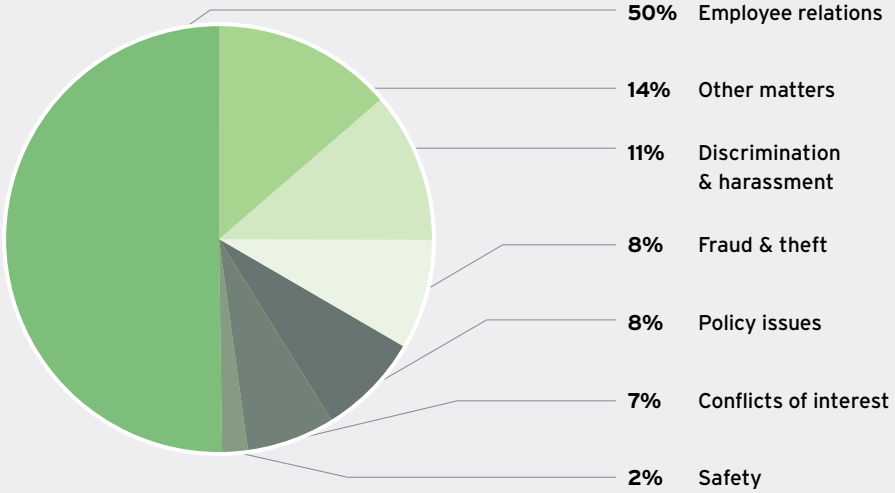


Sempra Energy's codes of business conduct provide guidelines for maintaining a legally compliant and ethical workplace. We expect every board director, employee and supplier to review the applicable code and follow it. Our commitment to responsible and ethical behavior is further detailed in a range of corporate policies.

To emphasize the importance of ethics and compliance, we require all employees to complete a training curriculum each year, customized according to their position and responsibilities. The courses address topics such as insider trading; Sarbanes-Oxley regulations; anti-corruption, including local laws and the Foreign Corrupt Practices Act; Federal Energy Regulatory Commission Standards of Conduct; California Public Utilities Commission affiliate-compliance rules; safety; harassment-free workplace; and workplace violence. Sempra Energy employees completed more than 30,000 courses in 2013.

Adherence to our Employee Code of Business Conduct and to company policies improves when employees are engaged in their work, have a vested interest in ensuring compliance and feel free to report a potentially unsafe or questionable situation without fear of retaliation. Employees have a range of options for reporting a conduct or compliance concern. They may speak with their supervisor or next level of management; they may contact someone in human resources or corporate compliance; they may contact Sempra Energy's chief ethics officer; they may anonymously call an Ethics & Compliance Helpline (run by an independent third party and capable of taking calls in English and Spanish); or they may take other actions as outlined in the Code or on the company intranet.

Helpline calls by category



LEADERSHIP Q&A

MARTHA B. WYRSCH executive vice president, general counsel and chief compliance officer

"In those interactions, I saw a deep reservoir of trust and it gave me tremendous confidence."

1 **You joined Sempra Energy in September of 2013. What were some of your initial impressions?** Shortly after I joined Sempra, we had a meeting of the Sempra Energy board of directors which included in-depth training for three new directors. I was able to participate in this training and was very impressed with the candid and forthright discussions between the board and management. There was no filtering of information. Management from each of the business units spoke candidly about great achievements but also tough challenges. In those interactions, I saw a deep reservoir of trust and it gave me tremendous confidence in the quality and integrity of the company – and in my decision to join the Sempra team!

2 **What do we mean when we talk about a culture of compliance?** Safety, risk management, environmental protection – our shareholders, regulators and communities care deeply about these issues and they expect Sempra to demonstrate its commitment with actions, not just words. Our employees demand the same thing, not only because we must be in compliance with laws and regulations, but because compliance is core to who we are and what we believe in – it is at the heart of the Sempra culture. We believe in our people and because we do, we value a safe and healthy workplace; we empower them to look out for one another, to raise issues and to bring ideas for improvement to the table.

3 **In other words, it's all about how a company is run?** Exactly. Early in my career, I heard a definition of success that resonated with me: We will know we are successful when each of us starts each day with a sense of purpose and ends each day safely with a sense of accomplishment. Sempra is a company that works hard to attract and develop highly talented people with a passion to succeed. Our focus is on setting objectives, on understanding and managing risk, on measuring success, but perhaps most importantly on listening with an open mind and seeking ideas and alternatives when the path shifts. This focus allows for the kind of success that will sustain us as individuals and as a business for the long term.

Employees from Chilquinta Energía work on power lines. Compliance and employee safety are at the heart of the Sempra culture.

54%

of our board members are women or people of color.

Board of directors and shareholder engagement

The business and affairs of Sempra Energy are managed under the direction of the Sempra Energy board of directors, our company's highest governing body. The board added four new members in 2013. At year-end, the board was composed of 13 members. Twelve of the 13 members were independent according to the principles and standards established by the New York Stock Exchange. Seven of the 13, or 54 percent, were women or people of color.

Proxy vote summary

	Percent vote "For"[1]			
Proxy item	2010	2011	2012	2013
Election of directors (average)[2]	97	96	95	95
Ratification of independent auditors[2]	99	99	99	99
Proposal seeking advisory vote on executive compensation	53[3]	-	-	-
Advisory vote on executive compensation[2]	-	75	86	87
Frequency of advisory vote on executive compensation[2]	-	88 (one year)	-	-
Allow shareholder action by written consent	-	37	-	-
Retirement benefits for senior executives	-	33	-	-
Sustainability and senior executive compensation	-	7	6	-
Independent board chairman	-	-	55[4]	19
2013 long-term incentive plan[2]	-	-	-	96

[1] *Defined as For/(For + Against), expressed as a percentage*

[2] *Proposals submitted by the board*

[3] *In response to the 2010 shareholder proposal, the Compensation Committee made several changes that continued to build upon our strong compensation governance program. A more detailed explanation of those changes is available in the 2011 proxy statement, available on the company's website.*

[4] *As a result of this shareholder proposal, the board took significant actions, including making the responsibilities of its lead director position more robust. For more on the roles and responsibilities of the lead director, please review our 2013 proxy statement, available on the company's website.*

The Sempra Energy board of directors

With their range of experiences and backgrounds, the members of our board can provide our company with valuable and thoughtful oversight. In addition to its oversight role, our board reviews business plans and performance; oversees risk management and succession planning; and establishes corporate governance policies that guide Sempra's operations.

Our board is accountable to Sempra Energy shareholders, who have the opportunity to vote on each director at every annual meeting of shareholders. We encourage our shareholders to communicate with directors on all issues relevant to the company — and we work to respond to their suggestions and concerns. During 2013, we met via telephone with shareholders representing more than 40 percent of our outstanding shares. This was in addition to our normal investor relations outreach.

Shareholders may submit proposals with respect to how we conduct business. Proposals are either published in our annual proxy statement and voted on by shareholders at our annual meeting; excluded, according to U.S. Securities and Exchange Commission guidelines; or withdrawn by the shareholder. Although shareholder votes on shareholder proposals are generally advisory and non-binding, our board of directors takes all feedback received during the proposal process into consideration.

Management systems

Sempra Energy and its business units monitor performance using established processes and management systems. Our company must comply with all applicable laws and regulations while operating in a way that respects the needs of the communities we serve. The following is a partial list of the processes and systems we use to do this.

- Injury and illness prevention program — a written plan for preventing injury and illness that includes management responsibilities; employee communications and compliance systems; scheduled inspections/evaluations; accident investigation; and procedures for correcting unsafe or unhealthy conditions.
- Safety information management system — used by our California utility employees to report employee injuries and incidents and facility safety inspections.
- Environmental and safety compliance management program — used to manage enterprise-wide compliance with environmental and safety laws; rules and regulations; and company standards. See sidebar for more.
- My Info — an online system that tracks employee goals and performance as well as completion of required training courses.
- Business resumption plans — plans that address recovery and resumption of critical business functions and applications in response to a wide range of events such as natural or human-made disasters or disruptions. Regular reviews are completed according to their level of criticality.

Our environmental policy

Corporate policies outline acceptable behavior and can be used as guidance when processes and management systems are developed.

The Sempra Energy environmental policy describes how the company fulfills its commitment to protect and conserve the environment. It states that the Sempra Energy companies will:

- Abide by all applicable environmental laws, regulations and permit requirements;
- Advocate public policies that protect the environment;
- Lessen our impact on the environment through activities such as recycling and waste minimization;
- Incorporate appropriate environmental management and compliance in strategic planning and operational decisions;
- Review results, existing operations and management practices in order to allow for continuous improvement;
- Join customers, civic leaders and other community leaders in providing sound and responsible stewardship of our environment;
- Encourage the development and use of efficient, clean and cost-effective technologies while helping our customers meet their energy needs in an environmentally responsible way;
- Encourage innovation and enhanced cost effectiveness in methods of compliance and use practical means to gauge our performance;
- Implement appropriate environmental education and training programs for employees and stakeholders;
- Perform jobs in a manner consistent with this environmental policy.

U.S. energy policy

We advocate for a sensible U.S. energy policy to regulate and reduce greenhouse gas emissions. Our position is based on these principles:

- We support federal standards for energy efficiency, renewable energy and emission performance standards for the power sector that encourage the use of cleaner-burning fuels such as natural gas. States should be able to adopt more stringent standards.
- Natural gas is a foundational fuel that emits 50 percent less carbon dioxide than coal, allows for integration of renewable resources and is abundant and affordable. With public reports estimating more than a 100-year supply of natural gas, the United States should promote policies that expand the use of natural gas in the electric power and transportation sectors; provide exports to other countries to improve global air quality; and grow the U.S. economy.
- States such as California have moved forward with aggressive energy-efficiency initiatives, renewable portfolio standards and emissions trading programs that have resulted in a reduced carbon footprint. It is critical that any federal carbon regulation take into account these investments in successful past efforts to reduce greenhouse gas emissions.
- Any federal carbon regulation mechanism should also be efficient, transparent and objective, and should incorporate lessons learned from similar programs in individual states and other countries.

- Lobbying activity tracking system — to manage political activity and meet political reporting requirements, certain employees are required to submit monthly lobbying activity reports using this web-based reporting tool.
- Anti-corruption program — used to manage compliance with the Foreign Corrupt Practices Act and other applicable anti-corruption laws including those of Chile, Mexico and Peru.
- Geographic environmental analysis and reporting system — a centralized system that our California utilities use to map, screen and track projects for environmental review.
- Health and safety management plans — Sempra U.S. Gas & Power's generation facilities implement these plans to ensure compliance with environmental, health and safety regulations.

Political involvement

A new law or regulation can represent an opportunity — or a significant risk. We meet with policymakers, testify before committees, make political contributions and maintain membership in a range of business and trade organizations to ensure that Sempra's voice is heard by our elected leaders, regulators and other policy influencers.

In 2013, Sempra Energy made $947,949 in contributions to the campaigns of state and local candidates, political committees and caucuses. We do not make political contributions either at the federal level or outside the United States. We also reported $2,402,197 in lobbying expenditures at all levels of government, including time and expenses incurred in the course of lobbying; expenses related to the operation of our offices in Washington, D.C., and Sacramento, Calif.; fees paid to lobbying firms; and the lobbying portion of fees we paid for membership in business and trade organizations.

The Sempra Energy Employees' Political Action Committee (SEEPAC) is funded through voluntary employee contributions and is governed by a board of directors composed of company and business-unit leaders. In 2013, SEEPAC made $215,531 in political contributions, primarily to federal congressional campaigns.

Sempra Energy and SEEPAC make and report political contributions according to the laws in the jurisdictions in which we operate. We also make our political activity more transparent than required, by posting all corporate contributions, SEEPAC contributions and the lobbying portion of membership fees (where fees were $50,000 or more) on the governance section of the Sempra Energy website annually.

protecting our ENVIRONMENT

Flat Ridge 2 Wind Farm near Wichita, Kan., Sempra U.S. Gas & Power

At Sempra Energy, we recognize that our operations have an impact on the environment.

Our businesses benefit the communities they serve — after all, energy is the very foundation of a functioning society. However, energy requires resources: natural gas as a fuel source; metal and other materials for pipes, wires and meters; open space for solar plants; ridge tops or plains for wind turbines; and water to cool power plants and run hydroelectric facilities. Our environmental policy outlines how we work to minimize our impact (see sidebar on page 23 for more).

Yet our respect for the environment goes beyond how we operate to include the nature of our business and what we focus on as an energy company. Our low-carbon business strategy outlines this focus: energy efficiency, natural gas, renewable energy and innovation. This strategy is based on our forecast that in a carbon-constrained world, demand for lower-carbon sources of energy will continue to rise.

Sempra Energy's low-carbon business strategy priorities

Energy efficiency | Natural gas | Renewable energy | Innovation

Encouraging energy efficiency

Energy efficiency has been a key part of operations at our California utilities for decades. In fact, they receive financial incentives from the California Public Utilities Commission for helping customers use less energy. This regulatory model has been in place since 1978 and has kept California's per-capita electricity use nearly flat since that time. Our California utilities work with their residential, business and industrial customers to determine ways they can save energy and reduce their energy bills through energy audits, incentives and rebates. In 2013 alone, these energy-efficiency programs saved approximately 221,000 megawatt-hours of electricity, enough to power 37,000 homes for a year, and 26.3 million therms of natural gas, enough to serve approximately 52,000 homes for a year.

Installing weather stripping as part of SDG&E's Energy Savings Assistance Program

Climate change risks and opportunities

The issue of climate change deserves special attention from energy companies: Greenhouse gas emissions are particularly significant in our industry. At Sempra Energy, we respond to the challenge of climate change in several ways. We engage with customers and communities, encouraging them to adjust the way they think about — and use — energy (see *Rising energy bills* on page 50 for more). We work to minimize, measure and report on our companies' impacts (see *Environmental performance*, page 28). We also identify and act on a range of risks and opportunities associated with the changing climate.

Our low-carbon business strategy (a focus on energy efficiency, clean natural gas, renewable power and innovation) helps to mitigate our climate change risks:

- In a severe and prolonged drought, access to water can become extremely limited, which could create an operational risk. Our natural gas power plants are built to standards that minimize the amount of water needed. And our solar and wind assets require negligible amounts of water to operate.
- When state or federal governments implement mandatory carbon pricing systems to reduce carbon-dioxide emissions, this could create regulatory risk. Our businesses are well positioned because they already utilize low- and zero-carbon sources of energy.
- Local air-quality agencies also seek to reduce emissions, which could create regulatory risk. We operate our natural gas infrastructure efficiently, working to reduce fugitive emissions (emissions from leaks or other unintended releases). And we encourage air-quality officials to enact standards that take into account our ongoing efforts at emissions reduction.

Steve Vanderburg and Brian D'Agostino, senior meteorologists, SDG&E. Accurate weather forecasting plays an important role in managing risk.

LEADERSHIP Q&A

MARK A. SNELL president

"We firmly believe climate concerns will continue to demand a low-carbon footprint."

1 **Demand for coal is growing faster than for any other energy source. Is Sempra working to capitalize on this trend?** Actually, we believe that the increasing demand for lower-carbon energy sources holds more long-term promise. At Sempra, we have a low-carbon business strategy. We didn't come to this strategy because we thought it sounded good or was trendy: We concluded years ago that low-carbon energy delivery was the best business model for us. We firmly believe climate concerns will continue to demand a low-carbon footprint.

For example, when it is used to generate power, natural gas produces half the carbon-dioxide emissions of coal. And it's now plentiful, thanks to a 100-year supply of shale gas right here in the U.S. This shale gas represents self-sufficiency for North America. It's expected to continue to grow as a supply source. By 2030, it will account for 37 percent of the worldwide growth in the supply of natural gas. Natural gas is the cleanest fossil fuel and is both affordable and abundant. As a consequence, coal consumption and production will level off and hopefully decline as fuel diversification expands around the globe.

At Sempra, we are involved in natural gas storage; natural gas transportation and distribution; and natural gas-fired generation. We also have LNG (*liquefied natural gas*) receipt terminals, and soon, an LNG export terminal.

2 **Why should some countries move toward cleaner energy that is often more expensive, while others take advantage of cheaper, dirtier energy?** Energy choice has historically been linked to economic performance. Today, environmental considerations can play at least an equal role. That's obviously true in a developed economy, but it is also true in emerging economies. We now have renewable wind energy resources that are economically competitive with fossil fuel energy sources. We have developed clean natural-gas resources that are economically superior to other, dirtier forms of energy. The price of solar energy continues to decline. With these resources, we have the tools to build a cleaner energy future that also protects a strong economy.

The decisions we make as a country must be linked to our highest priorities, which, I think, should include leadership and showing this opportunity to the rest of the world.

Sempra U.S. Gas & Power's jointly owned Mehoopany Wind in Wyoming County, Penn., generates up to 141 megawatts of renewable, emission-free energy.

Reducing emissions at Aliso Canyon

Sempra business unit SoCalGas delivers safe, reliable natural gas to more than 21 million consumers throughout central and Southern California. To help keep prices low, protect customers from price spikes and meet higher customer demand for natural gas in the winter, SoCalGas buys natural gas throughout the year and stores it at one of four storage facilities.

The largest facility, Aliso Canyon, currently uses three natural gas turbine-driven compressors to inject natural gas deep into the ground. This 1970s-era equipment is approaching the end of its useful life. In 2013, work began to replace these compressors with more efficient electric motor-driven compressors. This new equipment is estimated to decrease emissions from this facility by more than 70,000 metric tons per year – a reduction of more than 90 percent compared to typical-year emissions.

Our low-carbon business strategy also positions us for climate change-related opportunities:

- Restrictions on coal-burning power plants create demand for renewable energy and natural gas-fired power plants. This creates opportunity for our business units to develop and operate natural gas and renewable energy infrastructure.
- Some of our utility businesses have the opportunity to implement projects approved by utility regulators that strengthen energy infrastructure in response to the threat of extreme weather.
- We also have the opportunity to serve our customers in new ways. As they become increasingly interested in energy, we can provide our customers with energy usage information through advanced meters. And as they seek to reduce their impact on the environment, we can support our customers' ability to use lower-carbon energy, for example through natural gas-fueled vehicles and rooftop solar.

These risks and opportunities outline possible impacts of a changing climate on our businesses. But, at Sempra Energy, we recognize the global implications of this issue. We acknowledge that we have an impact, we work to minimize it and we seek opportunities to contribute to the solution.

Environmental performance

Emissions

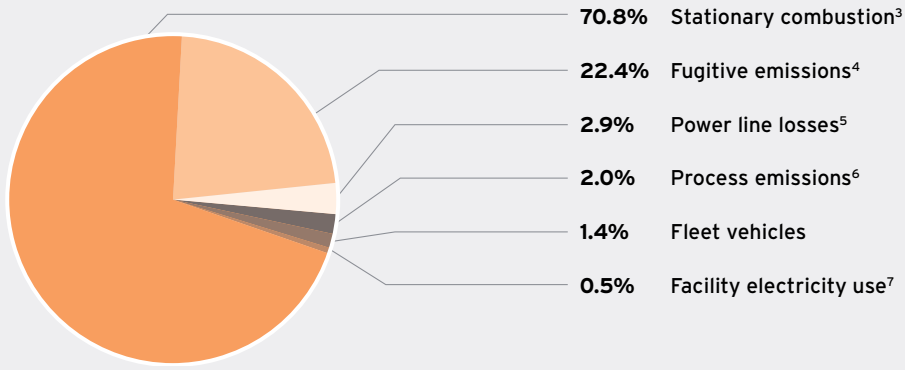
A growing number of stakeholders are demanding that individual companies, states, regions and entire countries reduce their greenhouse gas emissions. At Sempra, we agree this is important so we work to track and decrease our emissions.

SoCalGas and community leaders at the groundbreaking ceremony for the Aliso Canyon Turbine Replacement Project, Los Angeles, Calif.

Scope 1 and 2 greenhouse gas emissions[1,2]

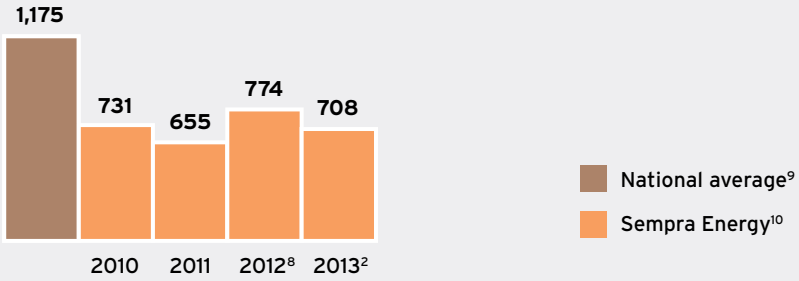
Million metric tons of CO_2 equivalent

Scope 1 and 2 greenhouse gas emissions by source (2013[1,2])



CO_2 emissions rate

Pounds of CO_2 per megawatt-hour



[1] *Emissions from electric utility Luz del Sur, natural gas utility Ecogas and pipeline and storage operations in the southeastern United States are not included: These entities do not track their emissions. Only some of the emissions from electric utility Chilquinta Energía, Cameron LNG and natural gas pipelines in Mexico are included: These entities do not track all of their emissions.*

[2] *2013 emissions data is unverified and subject to change.*

[3] *Emissions, primarily from our natural gas power plants*

[4] *Emissions from leaks or other unintended releases of natural gas*

[5] *Emissions from the generation of electricity that we lose during transmission and distribution*

[6] *Emissions from physical or chemical processes not related to combustion*

[7] *Emissions from the generation of electricity that we use in our own facilities*

[8] *2012 emissions data has been updated following an independent verification.*

[9] *Source: U.S. Energy Information Administration Electric Power Annual 2012.*

[10] *Emissions rate of Sempra-owned generation on an equity share basis. Data from Chilquinta Energía peaker plants are not included.*

What is CO_2e?

Not all greenhouse gases have the same impact on the environment. For example, one unit of methane has approximately 25 times the impact of one unit of carbon dioxide. To make it easier to compare greenhouse gas emissions, organizations calculate and report their emissions as carbon-dioxide equivalent (CO_2e) to demonstrate the combined impact of the different types of greenhouse gases they emit.

A natural gas pipeline inspection using a robotic smart "pig." Pipeline inspections improve safety and reduce fugitive emissions.

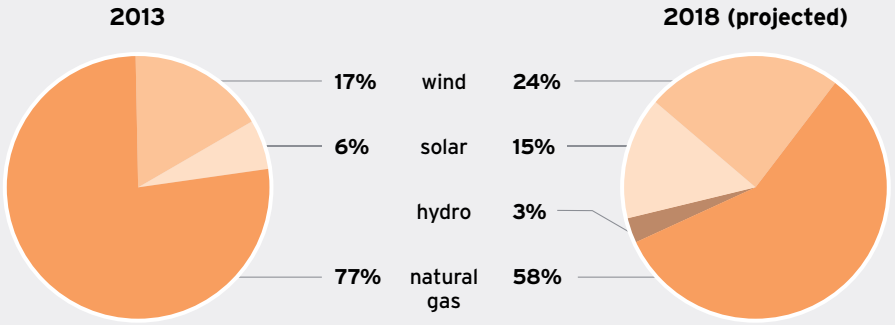
Emissions terms defined

Scope 1 emissions are emissions from sources that are controlled by the reporting company. Sempra Energy examples include emissions from our natural gas-fired power plants and emissions from our natural gas pipelines.

Scope 2 emissions are emissions from another company's generation of electricity that the reporting company purchases for its own operations. For Sempra Energy, this includes emissions from electricity that we purchase and use; as well as emissions from electricity that we purchase and lose (during transmission and distribution).

Scope 3 emissions are all other emissions (excluding those in scope 2) from sources the reporting company does not control. Sempra Energy examples include emissions from the extraction, production and transportation of any raw material we purchase and use (such as natural gas used for power plants or steel used for power poles); emissions from the generation of electricity that we purchase and deliver to our customers; emissions from our customers' combustion of the natural gas we deliver to them; and emissions from a wide range of additional sources such as emissions from employee travel, emissions from sanitation trucks that haul away waste and even emissions from landfills. Measuring scope 3 emissions is a complex and ongoing challenge for many companies.

Sempra Energy generating capacity by energy source:



Renewable projects – Sempra U.S. Gas & Power

Name	Location	Capacity (megawatts)	Net ownership	Year completed
Fowler Ridge 2 Wind	Indiana	200	50%	2009
Copper Mountain Solar 1	Nevada	58	100%	2010
Cedar Creek 2 Wind	Colorado	250	50%	2011
Flat Ridge 2 Wind	Kansas	470	50%	2012
Mehoopany Wind	Pennsylvania	141	50%	2012
Mesquite Solar 1	Arizona	150	50%	2012
Copper Mountain Solar 2 (1st phase)	Nevada	92	50%	2012
Auwahi Wind	Hawaii	21	50%	2012

Michael Manliguis, energy tech – residential, SoCalGas. Emissions from customers' combustion of the natural gas we deliver to them are included in scope 3 emissions.

In 2013, Sempra Energy's reported* scope 1 and scope 2 emissions were approximately 7.8 million metric tons** of carbon-dioxide equivalent, or CO_2e (see sidebar on page 30 and *What is CO_2e?* sidebar on page 29 for more). Our reported scope 1 and scope 2 emissions decreased in 2013 primarily due to lower fugitive emissions at SoCalGas (fugitive emissions are from leaks or other unintended releases) and the sale of 625 megawatts of capacity at the Mesquite power plant.

At Sempra Energy, we continue to work to provide a more complete report of our scope 3 emissions. This year, as in years past, we include in this report scope 3 emissions from the generation of electricity that SDG&E purchased and delivered to its customers: These emissions totaled 2.8 million metric tons of carbon-dioxide equivalent, or CO_2e. This year, for the first time in this report and in accordance with state and federal greenhouse gas reporting guidelines, we include the scope 3 emissions from our customers' combustion of natural gas delivered to them by our utilities SoCalGas, SDG&E, Mobile Gas and Willmut Gas: These emissions were approximately 53.6 million metric tons of CO_2e.**

As a responsible energy company, we take an interest in how the energy that we procure is produced — and in how the energy we deliver is used. For more on this topic, please see *Electricity and natural gas in our supply chain* on page 36.

For Sempra Energy, electricity generation in our business units' power plants is our most significant source of direct (scope 1) greenhouse gas emissions. Yet our power plant operations are highly efficient: In 2013, we emitted just 708 pounds of carbon dioxide per megawatt-hour of electricity generated. This compares to the U.S. average of 1,175 pounds of carbon dioxide per megawatt-hour generated. As our business units expand their generation of renewable energy, our total energy mix will become even cleaner and our emissions rate will continue to decline. We are on track to reach our target of decreasing our carbon-dioxide emissions rate to 657 pounds per megawatt-hour by 2016 — a 10 percent reduction compared to our 2010 baseline.

If all of the electricity generated in the United States were to achieve this target — an emissions rate of 657 pounds of carbon dioxide per megawatt-hour — more than 950 million metric tons of carbon-dioxide emissions per year, or approximately 15 percent of all U.S. carbon-dioxide emissions from all sources, would be eliminated from the atmosphere.

* *Emissions from electric utility Luz del Sur, natural gas utility Ecogas and pipeline and storage operations in the southeastern United States are not included; these entities do not track their emissions. Only some of the emissions from electric utility Chilquinta Energía, Cameron LNG and natural gas pipelines in Mexico are included; these entities do not track all of their emissions.*

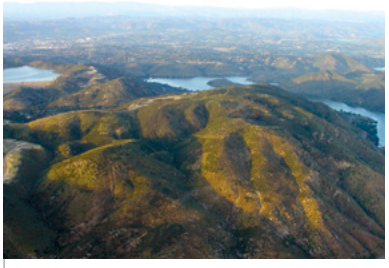
** *To place Sempra Energy's emissions performance in context, information on other companies' greenhouse gas emissions is available via the CDP, which publishes this data on its website: www.cdp.net.*

The energy-water nexus

Energy and water are intricately connected. Energy is used to pump water to where it is needed. Water helps cool power plants that produce energy.

In California, 20 percent of the state's electricity and 30 percent of its natural gas (excluding natural gas used in power plants) are used to transport, treat, heat or consume water or wastewater. Similarly, water plays a vital role in cooling many power plants.

Energy producers and water agencies look for opportunities to work together. One example comes from the San Diego County Water Authority. At night, when electricity supplies are ample and electric rates are low, officials can pump water uphill from the Lake Hodges Reservoir to the Olivenhain Reservoir. Then, during the day when demand for power increases, officials can allow the water to flow back downhill, generating up to 40 megawatts of electricity.



Olivenhain Reservoir (far left) and Lake Hodges, near Escondido, Calif.

Biodiversity at Energía Sierra Juárez

Protecting biodiversity in the areas where we operate is a priority for all of our business units.

Wind projects can present unique biodiversity challenges. In 2013, construction began on the first phase of IEnova's 1,200-megawatt Energía Sierra Juárez wind facility, located in the mountains of La Rumorosa in Baja California, Mexico. During the project development phase for this facility, this business collaborated with the San Diego Zoo on a multiyear study to better understand the flight patterns and territories of the California Condor and the Golden Eagle along the U.S.-Mexico border near the facility site. Mexico-based Instituto de Ecología (INECOL) also conducted studies to assess the flight and migratory patterns of other birds and bats in the area. Armed with the results of these studies, IEnova can more effectively monitor any impacts to wildlife during construction and operation of this wind facility.

In addition, technological advancements such as larger turbines that rotate at slower speeds have made it easier for birds and bats to see and avoid the turbines, reducing the number of incidents at wind facilities.

A critically endangered California Condor soars above the desert.

Water

Reliable access to clean water is an area of increasing concern for many communities served by our businesses. We work to minimize our impact on these supplies.

In 2013, water withdrawn for use in our operations* totaled 31.9 billion gallons. More than 90 percent of this total, or 28.7 billion gallons, was returned to the source, in compliance with environmental permits and water quality laws.

LNG facility operations were responsible for 25.9 billion gallons or 81 percent of Sempra Energy's total water withdrawal. More than 99 percent of this water was returned to the source. Because our LNG facilities either reuse water or obtain water from the ocean, the availability of water is not an issue. Our LNG facility operators carefully monitor the quality of water returned to the ocean to ensure it meets all conditions of their water discharge permits.

Power generation was responsible for 10 percent of Sempra Energy's total water withdrawal. Because we operate power plants in locations where water availability is a concern, Sempra Energy's business units have minimized the use of water in power plant operations through the use of dry-cooling technology and reclaimed or recycled water.

- SDG&E's 560-megawatt Palomar Energy Center in Escondido, Calif., uses reclaimed water (treated wastewater).
- SDG&E's 495-megawatt Desert Star power plant near Boulder City, Nev., uses dry-cooling, which requires only 10 percent of the water used by traditional power plants.
- Sempra International's 625-megawatt Termoeléctrica de Mexicali power plant in Mexicali, Mexico, uses treated sewage, cleaned at its own water treatment facility, to cool the plant.

In 2013, these practices helped us to avoid withdrawing nearly 2.4 billion gallons of fresh water from local sources, enough to meet the needs of nearly 22,000 typical American families.

Environmental compliance, recycling and waste

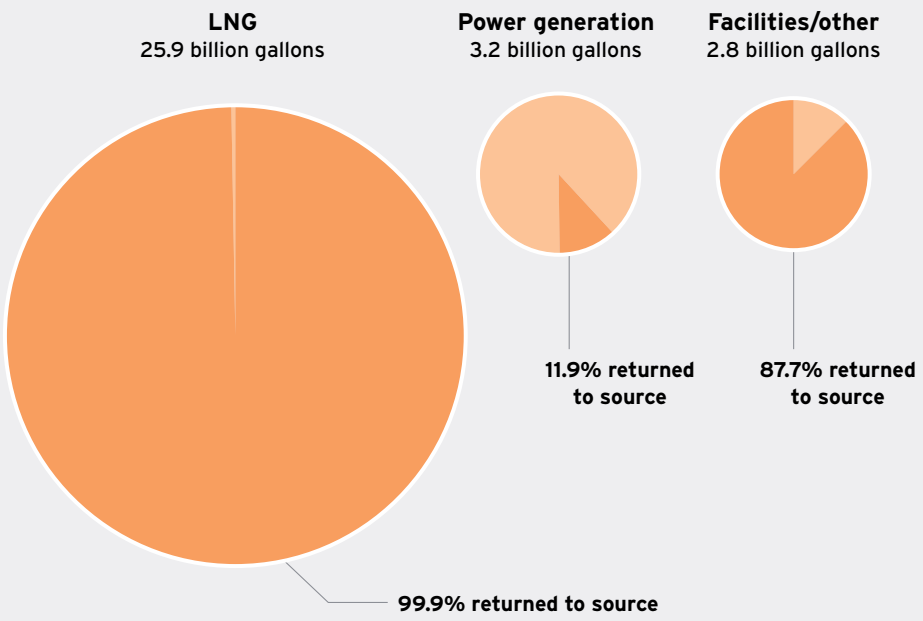
In all our operations, we strive to meet or exceed applicable laws and regulations. Our compliance helps preserve the environment and protect biodiversity.

Ninety-eight percent of all environmental agency inspections in 2013 resulted in no notice of violation. Environmental fines and penalties totaled $1,734. SoCalGas also paid $61,000 in settlements for two violations related to the use of an incorrect emissions factor. Capital expenditures (including construction work in progress) in order to comply with environmental laws and regulations were $31 million.

* *While we continue to improve data collection related to water use, these numbers do not yet account for all aspects of our operations, including hydrostatic natural gas pipeline testing at our California utilities.*

Our business units' 2013 recycling programs diverted nearly 26 million pounds of material from landfills and generated nearly $6 million in revenue. Twenty-two million pounds, or 86 percent of this total, was composed of electric transformers, cables, meters and other metals. Our business units generated 2,901 tons of hazardous waste in 2013 and managed and disposed of it according to applicable laws.

Water use



Environmental compliance

	2010	2011	2012	2013
Agency inspections	287	420	435	395
Notices of violation (NOV)[1]	13[2]	10	11	8
Percentage of agency inspections with no NOV issued	96%[3]	98%	97%	98%
Fines and penalties[4]	$25,125	$28,825	$18,875	$1,734[5]
Internal compliance assessments and audits	460	825	835	945

[1] *Self-reported violations are not included.*
[2] *Two of our 2010 NOVs (a reporting oversight and improper dumping by others of tires and rubbish on undeveloped property) were neither self-reported nor a result of an agency inspection.*
[3] *The calculation for this percentage does not include the two NOVs that were neither self-reported nor a result of an agency inspection.*
[4] *Does not include settlements*
[5] *The amount of fines and penalties paid varies from year to year depending on the nature of the violation and the timing of its resolution.*

90%

of the water withdrawn was returned to the source in compliance with environmental permits and water quality laws.

evaluating our

SUPPLY CHAIN

A pipeline supply yard at the Cameron pipeline expansion project in Cameron Parish, La., Sempra U.S. Gas & Power

There is growing recognition that a company's responsibility extends to its suppliers. At Sempra Energy, we are working to better understand the impact of our suppliers and our supply chain.

Sempra Energy's businesses procure and use a wide range of raw materials to deliver energy. They need pipelines and cable to deliver natural gas and electricity; steel and wood for electric towers and poles; meters to measure customer usage; and office supplies and equipment to run and manage their businesses.

Our business units rely on third parties — from tree trimmers and construction workers to security personnel, contract employees and professional service firms — to help them build, manage and maintain energy infrastructure, facilities and offices.

Our businesses also procure electricity and natural gas, either for use in their own operations or to deliver to customers. These commodities can be produced or extracted in a wide variety of ways. Managing this part of our supply chain is becoming more critical.

Supplier selection and monitoring

Sempra Energy's business units rely on thousands of suppliers. When a business unit identifies a need that would be best met by a third party, its procurement personnel identify qualified suppliers. Procurement policies specify the legal-review and insurance certificate requirements, as well as the contract risk management procedures that must be followed. At our California utilities, prospective suppliers bidding on requests for proposals over a specific dollar amount are required to answer sustainability-related questions, and their responses are factored into the decision-making process.

We expect every supplier to embrace our commitment to integrity and conduct business in compliance with all applicable laws, rules and regulations. Our Supplier Code of Conduct outlines these expectations. Each business unit manages its supplier relationships, including compliance with the Supplier Code of Conduct. This includes periodic internal audits that review safety procedures and performance; training programs; and subcontracting policies, among other topics.

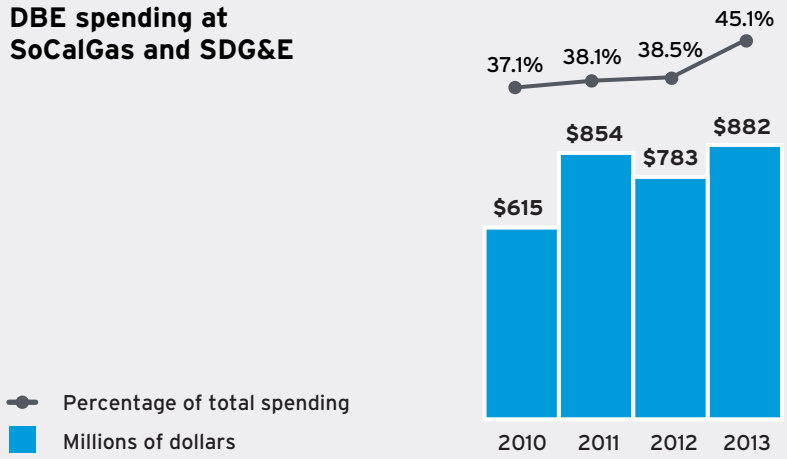
Supplier diversity

Our suppliers are diverse. They include small, mid-sized and large companies that operate in a range of geographic locations. Some are newer companies while others are well-established.

Our California utilities work extensively with diverse business enterprises (DBEs) and as a result, their suppliers reflect the communities they serve. In 2013, SoCalGas and SDG&E achieved 45.4 percent and 44.9 percent, respectively, in DBE spending, far exceeding the targets established by the California Public Utilities Commission.

Over the years, we have found that building and maintaining relationships with a wide array of suppliers can result in cost savings, innovation and improved products and services.

DBE spending at SoCalGas and SDG&E



More than a contract

Leonel Alvarado got more than he expected when his company, Highlands Energy Solutions, was awarded its first contract in 2009 to perform weatherization services for SoCalGas' Energy Savings Assistance Program.

In addition to the three-year contract to install attic insulation and weather stripping and caulking for the utility's limited-income customers, SoCalGas sponsored the Fresno-based contractor in the UCLA Anderson School of Management's "Management Development for Entrepreneurs" program.

As a result of the lessons learned in the 60-plus hours of classroom instruction, Alvarado says, "We're realigning our business so we're more intentional about what we do. The program has helped us operate like a more sophisticated business entity."

Leonel Alvarado, owner of Highlands Energy Solutions

Responsible natural gas extraction

Sempra Energy's business units focus primarily on the storage, transportation and distribution of natural gas. In the coming years, companies that extract natural gas using hydraulic fracturing will play a role in supplying natural gas that may be liquefied by our LNG businesses.

Hydraulic fracturing is the process of using pressurized fluid to fracture rock formations and extract natural gas or oil. Technological advances have expanded the use of hydraulic fracturing in recent years.

Because of our business interests in natural gas, we support reasonable rules and regulations to ensure that all natural gas producers are operating to an appropriate standard — one that protects consumers, the environment, the energy industry and our nation's access to this abundant supply of domestic energy.

Electricity and natural gas in our supply chain

Sempra Energy's core business is safely delivering energy that is clean, reliable and affordable. We procure natural gas and electricity on behalf of our customers from a wide range of suppliers and sources.

Electric utilities SDG&E, Chilquinta Energía and Luz del Sur purchase 60, 99 and 100 percent, respectively, of the electricity they deliver to their customers from third-party suppliers. At SDG&E, 48 percent* of this purchased power is from natural gas, 37 percent* is from renewable sources, 10 percent* is from the market (and not from a specific source) and 5 percent* is from coal. At Chilquinta Energía in Chile and Luz del Sur in Peru, power is aggregated by energy exchanges and then delivered to utilities for distribution to customers. In 2013, 61 percent of the electricity in Chilquinta Energía's exchange was from thermal sources**, 38 percent was from hydroelectric power and 1 percent was from wind and solar sources. In Peru's exchange, which provides power to Luz del Sur, 55 percent of the electricity was from hydroelectric power and 45 percent was from thermal sources.**

Sempra Energy's business units also purchase natural gas. Some natural gas is purchased through short- or long-term contracts, where the sources of the gas can be identified. Other natural gas is purchased from supply aggregation points, exchanges and electronic bulletin boards. Because many different producers feed into these systems, it is impossible to identify the precise source of the gas. (See sidebar for more.)

As a large purchaser of natural gas, we understand the influence we can have on this supply-chain issue. Given the complexity of the natural gas supply chain, Sempra Energy advocates for a consistent set of standards for all natural gas producers. The establishment and enforcement of such standards would protect consumers, the environment and the energy industry.

Ocotillo Wind Farm, one of SDG&E's renewable energy suppliers, in Ocotillo, Calif.

* *Purchased power only. Does not not include power generated by SDG&E.*
** *Thermal sources could include natural gas, coal or diesel.*

LEADERSHIP Q&A

MICHAEL M. SCHNEIDER vice president, operations support, SDG&E and vice president, operations support and chief environmental officer, SoCalGas

"Being a responsible environmental steward is the right thing to do and a core Sempra value. It's also good business!"

1 **How do SoCalGas and SDG&E identify suppliers that have a significant impact on the environment?** It begins with having a strong understanding of our suppliers and the products and services we buy from them. As an example, we know that construction services on both the gas and electric side of the business have a much greater impact on the environment than buying IT software. Every year, we survey our major suppliers to ask them about their environmental programs. Do they measure their energy and water use? Their greenhouse gas footprint? Do they have goals in these areas and do they publish their results? We are also looking at how we do business with our suppliers to identify opportunities where we can "green" our supply chain.

2 **How does this work?** Take something like the transportation of transformers, many of which are manufactured in the Midwest and South. We asked how our suppliers might get them to us while cutting their greenhouse gas emissions and transportation costs. As a result, they changed how these transformers were being transported from a single-stack to a double-stack configuration, cutting the number of trucks needed in half. This is a perfect example of how we can cultivate relationships with our suppliers and focus, together, on minimizing environmental impact. We also do this in a systematic way through the expansion of our supplier relationship management program where we meet regularly with our major suppliers to develop and review a scorecard that includes sustainability.

3 **What's driving this push toward sustainability? Is it a regulatory mandate?** We're not doing this because of a mandate. Being a responsible environmental steward is the right thing to do and a core Sempra value. It's also good business! Our sustainability efforts help our suppliers become more efficient, which means we can often reduce our costs. And these efforts also afford us recognition as a sustainability leader — especially in the energy industry. One benefit of that recognition is that it helps us attract the workforce of the future. I was speaking to a group of MBA students a few weeks ago and they were literally quoting from our (*corporate responsibility*) report. They're thinking critically and forming opinions about us based on what we are doing to proactively protect the environment. We are ready and welcome that scrutiny.

A contractor from Utility Tree Service. SDG&E's supply chain includes companies such as Utility Tree Service that supply trained professionals to prune trees near power lines.

We are working to **identify our critical suppliers** and monitor their environmental performance.

Identifying critical suppliers

Certain suppliers in our business units' supply chains are critical to the operation of those business units. For our utilities, critical suppliers include those that provide electricity and natural gas as well as those that provide the products or services that are instrumental to restoring operations following an emergency.

Additionally, certain types of suppliers have significant impacts in the areas of emissions, water and waste. These may include suppliers of electricity, natural gas, towers, poles, transformers, pipes, wires and advanced meters. Through their supplier relationship management programs, our California utilities achieve cost savings and drive improvements in environmental performance and service.

At Sempra Energy, we are working to better understand our supply chain — and to identify our critical suppliers and monitor their performance and efficiency.

Top to bottom: Copper Mountain Solar 2 in Boulder City, Nev., Sempra U.S. Gas & Power | William Lewis, Jr., welder, SDG&E. Critical suppliers include those who supply our businesses with transformers, pipes and wires.

engaging our

EMPLOYEES

Right of way agents Cesar Delgadillo, Saul Melo and Claudia Ruiz review plans for the Gasoducto Sonora Project, a 500-mile pipeline network that will connect the Mexican states of Sonora and Sinaloa with natural gas supplies in the United States.

Delivering safe, clean, reliable, affordable energy – particularly during a time of transformation in our industry – requires significant human capital, creativity and care. At Sempra Energy, when our people are trained, challenged and empowered to take initiative, our business thrives.

Employee and contractor safety

We are not satisfied unless each employee and contractor returns home safely after every workday.

We strive to foster a culture of safety where each individual feels personally accountable for their own safety as well as the safety of their co-workers. Our most recent employee engagement survey included items probing employees' views on safety. Participation was high and engagement scores were very strong across the survey, with the statement "This company is committed to employee safety" coming in as the highest-rated item in survey results.

Sharing ideas on safety

Sempra International renewed its commitment to safety last year, bringing together more than 50 professionals from operations in Chile, Mexico and Peru for its first-ever environmental, health and safety summit. The summit established a foundation for collaboration among the companies and increased opportunities for sharing best practices. Topics included risk prevention; emergency response; construction and electrical safety; and contractor administration.

Participants learned about the many innovative safety practices and programs used throughout the business. For example, power plant Termoeléctrica de Mexicali in Mexicali, Mexico, is focused on engaging employees and encouraging them to share ideas for improving safety practices. In 2013, employees submitted 65 safety proposals, many of which were implemented at the facility.

To further enhance performance in this area, Sempra International is also working to implement a data system that will allow it to better track, monitor and collaborate on safety performance.

Safety is a part of pre-work briefings before our crews head out to the field. At safety stand-downs, we review lessons learned and underscore our safety focus. Workplace safety training programs cover dozens of topics ranging from ergonomics to confined-space awareness to heat illness prevention. Safety best practices, near misses, alerts and messages are also shared within and across business units.

In 2013, we met our goal for minimizing recordable incidents (see page 60 for more on safety goals). Yet, regrettably, one employee and one contractor were fatally injured in separate incidents related to operations at Sempra International. After thorough investigation, the causes of these incidents were identified and action was taken to prevent reoccurrence. In 2014, we continue our work to strengthen employee and contractor safety.

Safety performance[1]

	2010	2011	2012	2013
Employee work-related fatalities	1	0	0	1
Employee OSHA recordable incident rate[2]	3.64	2.42	2.26	2.41[3]
Employee lost work time case rate[4]	1.18	.92	.86	.88

[1] *2011–2013 data includes Chilquinta Energía and Luz del Sur, electric utilities that were acquired in April 2011. Prior-year data were not restated.*
[2] *The number of recordable injuries or illnesses per 100 full-time workers*
[3] *Met 2013 goal: no more than 2.66 cases*
[4] *The number of lost time cases per 100 full-time workers*

Chris Wiley, safety and technical training manager (at right) reviews safety procedures with (from left) Tiffany Callier-Dawkins, compliance associate; Tom Howard, meter repair tech; Alex Haupt, meter reader supervisor; Carlos Nelson, construction maintenance pipefitter; and Joey Mabry, construction manager, Mobile Gas, Mobile, Ala.

Health and wellness

Sempra Energy's wellness programs promote healthy lifestyles for employees and their families. They can also strengthen employee recruitment, retention and performance. Programs vary by business unit and location, but are more widely available at facilities with more employees.

- Fitness subsidies; on-site lockers; and lunchtime boot camp, walking club, yoga and Zumba encourage employees to exercise.
- A range of bicycle-friendly amenities and subsidies incentivize the use of this healthy, lower-stress alternative to car commuting.
- Flexible work schedules, when available, allow for a beneficial balance between work and personal commitments, while backup dependent care provides a safety net for employees experiencing a scheduling conflict with their regular childcare or eldercare provider.
- Periodic "Lunch and Learn" sessions teach employees about topics such as stress management, heart health and nutrition.
- Ergonomics consultations and free on-site flu vaccinations protect employee health and reduce sick days.
- Programs like Best Doctors and the Employee Assistance Program give our employees free and confidential access to healthcare professionals, whether they need an expert second medical opinion or counseling services to help them address a personal issue.

Each Sempra employee has unique health and wellness needs. We provide a range of resources to our employees to help them live healthier lives. Supporting a healthy workforce not only contributes to our success — it is also part of our role as a responsible employer.

Training and development

Sempra Energy provides employees with the time, training and resources to succeed. We recognize that when employees are challenged and engaged in their work, success is the result.

An online menu of business courses focusing on areas such as accounting, finance and safety is available to employees to complete required and self-directed training. As a supplement to online offerings, managers are encouraged to work with their direct reports to identify training and development opportunities. We also encourage employees to pursue educational opportunities outside of work; our Professional Development Assistance Program provides up to $5,250 per year to cover the educational expenses of employees working toward a degree or certificate. More than 500 employees participated in this program in 2013.

Welcoming new employees

Sempra's Joint Associates Group (JAG) is an employee organization that helps new accounting and finance employees get to know the Sempra culture and the energy industry. Networking and teambuilding opportunities help these employees build relationships within the company. Jobsite visits provide insights into business unit operations.

The group also partners with community organizations on fundraising and youth mentoring activities. For example, in 2013 JAG partnered with the Barrio Logan College Institute (BLCI) to help organize a business-case development competition for local high school students. JAG members also participated in a BLCI career fair, offering guidance and tips to students exploring careers in engineering, finance and accounting.

Members of Sempra Energy's Joint Associates Group at the San Diego Food Bank in December, 2013

"Green teams" encourage sustainable thinking

Inspired by their commitment to the environment at home and in the workplace, employees at our California utilities have formed "green teams" to help encourage sustainable thinking throughout their organizations. Team members meet monthly to discuss ways to educate employees, minimize their company's environmental footprint and inspire more-sustainable action.

The teams also work with other Southern California companies to share best practices. In 2013, SoCalGas hosted the second annual "Meeting of the Green Teams." Representatives from more than 50 companies, including those from the automotive, entertainment, energy, transportation, clothing and food service industries, gathered to share sustainable practices and experiences.

Grant Frost, Manager of Environmental Strategy and Sustainability, at SDG&E's Energy Innovation Center in San Diego, Calif.

In addition to training opportunities, Sempra Energy recognizes the value of long-term career planning and professional development. We encourage employees to seek out new and challenging assignments and aspire to give them the support they need in a new position.

Periodic company-wide reorganizations also contribute to workforce development; employees in new roles get the opportunity to work with new people and develop new skills. These reorganizations also create an opportunity to realize cost savings or improve operational efficiency. In 2013, in conjunction with a reorganization, we offered voluntary early retirement packages to employees meeting certain eligibility requirements. More than 100 employees took advantage of this offer.

Diversity and inclusion

At Sempra Energy, we believe that we become a stronger company when we value, respect and include people from all walks of life. A wide range of factors influence and impact every one of our employees, including race, color, national origin, ancestry, ethnicity, education, age, marital status, veteran status, sexual identity and orientation, gender, gender identity or expression, religion, spiritual beliefs, mental and physical capabilities and life experiences. When we respect each employee, our workplace becomes a place where unique perspectives yield new ideas — and stronger business performance becomes possible.

Our executive commitment is a signed statement of our leadership's belief in the importance of diversity and inclusion. Our Discrimination and Harassment-Free Workplace Policy formalizes these beliefs. More than 300 employees serve on our corporate-wide diversity council or on one of 14 local diversity and inclusion councils. These councils establish priorities and develop employee-focused programs and initiatives. They work to build diversity awareness, celebrate differences and foster an environment of acceptance, respect and inclusion.

Samuel Gonzalez, field mechanic, SDG&E

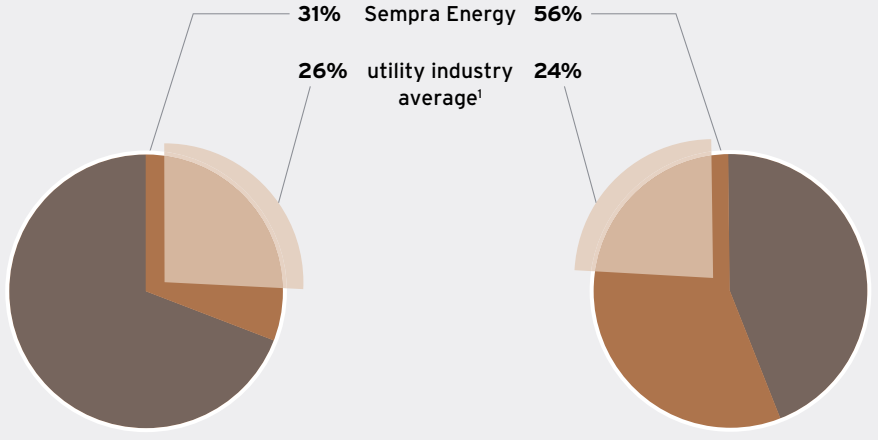
Our workforce demographics provide strong evidence of our commitment to diversity and inclusion. Since 2010, minority representation in our U.S. workforce has increased from 53 to 56 percent, a relative increase of more than 5 percent. Without a significant influx of new employees, our demographic numbers do not significantly change from year to year. It is important to note that when job openings do occur, we cast a wide net to build a diverse pool of candidates.

Sempra Energy U.S. workforce demographics

		2010	2011	2012	2013
Women	**Percent of workforce**	31	31	31	31
	Percent of management	36	35	36	36
	Percent of company leadership[1]	25	26	26	25
Ethnic minorities	**Percent of workforce**	53	53	54	56
	Percent of management	46	44	45	47
	Percent of company leadership[1]	23	22	24	27
Workforce diversity	**Hispanic**	33	33	33	34
	Black	9	9	9	9
	Asian	10	11	11	11
	Native American	<1	<1	<1	<1

[1] *Company leadership is defined as employees whose position places them in the top 2 percent of the company.*

Benchmarking diversity



Women as percent of U.S. workforce

Ethnic minorities as percent of U.S. workforce

[1] *Source: U.S. Equal Employment Opportunity Commission: EEO-1:2012*

We're listening

Please complete our brief online survey at sempra.com/responsibility and let us know which issues are most important to you.

LEADERSHIP Q&A

G. JOYCE ROWLAND senior vice president — human resources, diversity and inclusion and chief ethics officer

"Engagement is consequential: What are the things that make a difference in how people work?"

1 **Why does Sempra measure employee engagement, and how is it different from employee satisfaction?** With the engagement survey, we're looking at responses to specific items like the company's commitment to safety or to a harassment-free workplace. We're also looking at how the responses indicate a willingness to go above and beyond the call of duty: to put in discretionary effort to work with customers, interact with fellow employees or solve business problems. It's more than whether we're happy or unhappy. Engagement focuses on getting information that is specific and impactful. It's consequential: What are the things that make a difference in how people work; whether they want to stay here; whether they recommend us as a place to work?

2 **What are some action items that came out of the most recent employee engagement survey?** Each business unit is responsible for action planning after the survey — for figuring out which steps they should take in response to survey feedback. Many smaller groups or individual departments are also looking at their results.

From a broad perspective, we saw strong employee interest in two areas: communication and performance management feedback. Our employees have a desire for more information on the strategic direction of the company. We have asked each business unit leader to take the lead in getting more strategic information out. For performance feedback, we're piloting a new performance management system that includes a much stronger focus on career development. During 2014, a cross-functional team will be working on the roll-out.

3 **How are employees playing a role in the planning for Sempra's new headquarters?** We want to make sure there is an opportunity for robust employee engagement around the new headquarters. We've held town halls and have conducted focus groups and surveys. We've taken employees on tours of the new neighborhood and the construction site. We've also created six employee teams to provide ideas and input in key areas: technology; digitization (an effort to reduce the amount of paper used); health and wellness; look and feel; safety, security and transportation; and furniture.

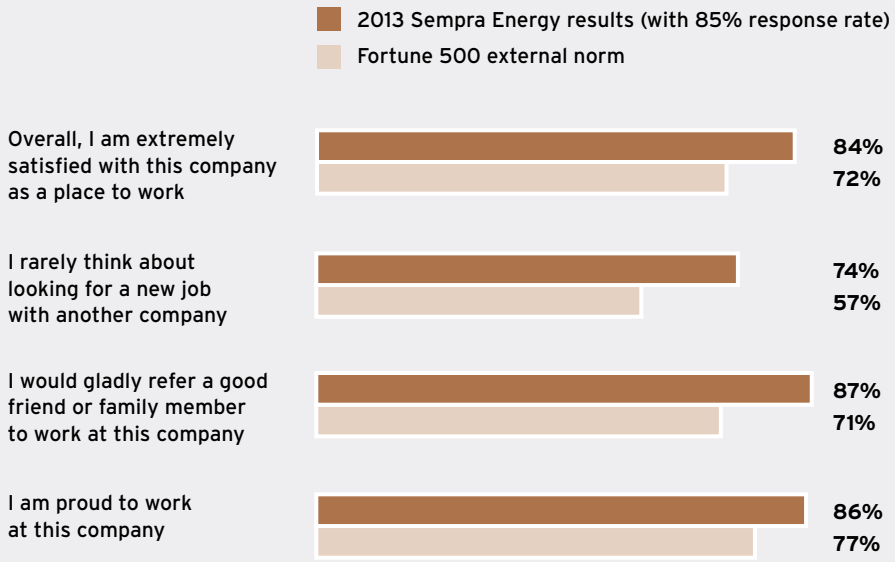
The employee survey indicated strong interest in shared access to views and natural light. Focus groups talked about separating work and common areas. So we've adjusted floor plans to accommodate these ideas. We are also working through issues like parking, mass transit and adequate meeting space — all with significant employee input.

Left to right: Accounting personnel Zahily Campa and Ciria Velarde, Gasoducto Aguaprieta facility, Hermosillo, Sonora, Mexico | Jason Petersen, fleet maintenance technician, at SDG&E's Miramar facility in San Diego, Calif. Engaged employees are willing to go above and beyond the call of duty.

Labor relations

One-half of Sempra Energy's U.S. employees – and nearly 30 percent of our non-U.S. employees – are represented by labor unions. We respect our partnerships with these labor unions and work with them to achieve business results that benefit our employees, our businesses and the communities we serve. We also seek opportunities to collaborate with our unions. As one example, SoCalGas works with its unions on an ongoing basis through Alternative Dispute Resolution to find "win-win" solutions to grievances. This provides an opportunity to address and resolve issues without the need for arbitration.

2013 employee engagement survey results



Daniel Murillo, lead construction tech, and Gabriel Sigala, construction tech, SoCalGas

84%

of Sempra Energy employees are extremely satisfied with Sempra Energy as a place to work.

serving our

COMMUNITIES

Repairing electric lines for Luz del Sur in Lima, Peru

Every customer wants energy that is safe, affordable and reliable, delivered by an energy company that seeks input and values the community.

Public safety

At Sempra Energy, our top priority is safety. Nothing is more important to us than keeping our employees and customers safe.

Our operations span 12 U.S. states, four countries and two continents. We operate seven energy utilities, 123,426 miles of natural gas pipeline and 48,622 miles of electric transmission and distribution lines. We also operate two liquefied natural gas receipt terminals, six underground storage facilities capable of storing 167 billion cubic feet of natural gas and five natural gas-fired power plants. With our partners, we operate more than 646 wind turbines and 2,226 acres of photovoltaic solar facilities.

Protecting the public from dangerous contact with our systems and assets is an ongoing challenge — we do not control the actions of third parties which may place them in such contact — but it continues to be an important objective. In 2013, there were 110 incidents, including five fatalities, alleged to involve company pipes, poles and wires, construction areas, motor vehicles and other facilities. Due to pending litigation and the non-public nature of settlements, Sempra Energy is unable to disclose further details of these incidents.

Our business units manage the safe operation of their assets, with oversight provided by their boards of directors as well as the Environmental, Health, Safety and Technology Committee of Sempra Energy's board of directors. Safety-related areas of focus include, but are not limited to:

- Pipeline safety and integrity, including testing and replacement of transmission pipelines; retrofitting or replacing valves to enable automatic or remote-controlled response; and the installation of new technology for better monitoring;
- Wildfire prevention and preparedness, including vegetation management (tree trimming); extensive weather forecasting; and replacing wood poles with steel poles in high fire-risk areas;
- The replacement and upgrade of electrical cables, wires and other equipment and the installation of smart-grid devices to help us more quickly identify the location of an outage; and
- The assessment and mitigation of vulnerabilities related to deliberate cyber or physical attacks on energy infrastructure.

Public safety is also improved when our business units are able to quickly and safely restore power in the event of a significant disaster or major emergency. Our business units train for such events with government officials and first responders. They develop and update business-resumption plans appropriate for a variety of contingencies. They also emphasize the importance of emergency preparedness to their customers: Uninterrupted access to energy is not guaranteed, so they encourage customers to develop a written emergency plan and practice implementing it.

Public education about energy infrastructure also helps improve public safety. Our businesses educate their customers to avoid contact with electric and natural gas equipment, including poles, transformers, pipes and wires.

Availability and reliability

Our utility businesses work to operate and maintain vast energy systems to provide consistent and uninterrupted electricity and natural gas for our customers. However, interruptions in service do occur. Vehicle crashes, equipment failure and construction activity are some common causes. Our utilities strengthen their systems and work to prevent these incidents from occurring, if possible. When interruptions do occur, and power or natural gas is interrupted, our utilities identify the location or source of the outage and work to restore service quickly and safely.

Improving natural gas reliability in Southern California

A robust natural gas transmission system is needed to deliver natural gas when and where it is needed. From time to time, additional transmission infrastructure must be constructed to improve system reliability and meet customer needs.

In late 2013, SoCalGas and SDG&E filed a joint application with the California Public Utilities Commission to recover costs associated with the Southern Gas System Reliability Project. This project will increase system reliability by allowing the utilities to move more natural gas to the southern part of the SoCalGas system and to SDG&E.

If built as proposed, the project will consist of three stages: the construction of a 60-mile long, 36-inch natural gas transmission pipeline between Adelanto, Calif., and Moreno Valley, Calif.; the upgrade of the compressor station in Adelanto, Calif.; and the construction of a 31-mile long, 36-inch natural gas transmission pipeline between Moreno Valley, Calif., and Whitewater, Calif.

The proposed construction schedule would put these new pipelines in service by the end of 2019.

LEADERSHIP Q&A

JESSIE J. KNIGHT, JR. executive vice president – external affairs, Sempra Energy and chairman of the boards of SDG&E and SoCalGas

"We must have an uncompromising commitment to transparency and openness."

1 **When you were CEO of SDG&E from 2010 to 2013, you implemented new programs to foster stronger stakeholder engagement. Why?** We recognized the need to have stakeholder input as a vital part of our strategic planning process to ensure the long-term viability of our business. We devoted significant resources to closing gaps in understanding between us and our stakeholders. As we instigated dialogue with a wide range of stakeholders, we enabled a true and fair exchange on the issues.

2 **You say a wide range, but which groups did you reach out to?** We tried to invite them all – including those considered to be our fiercest critics. Environmental groups were a particular focus, but also Native American tribes, business groups, community groups and others. Our thinking was that we could only improve if all of our stakeholders were talking and we were listening.

3 **In the energy industry, a recurring stakeholder challenge is that customers want the light to turn on when they flick the switch, but don't want to see the infrastructure that brings the electricity to their homes or businesses. How does Sempra address this?** The infrastructure we build has to go somewhere; it is needed for society to grow and prosper. As a result, we must have an uncompromising commitment to transparency and openness. We need to clearly explain our decision-making process and articulate the impacts of what we plan to build. But perhaps most importantly, we need to get better at explaining how the infrastructure benefits the community at large.

4 **How should we communicate with stakeholders concerned about some of the broader impacts of our business, for example, our impact on natural resources or the climate?** We should communicate proactively and positively. Sempra Energy has become recognized over time as one of the leading voices in the corporate responsibility space. Simultaneously, an increasing number of our stakeholders have become aware that there are limits to the earth's natural resources. This puts our company in a pivotal position to be a leading voice. Sempra is a significant steward of the earth's resources – and a commitment to sustainability is in alignment with our corporate values.

Felipe Arturo Riveros Fleming, a meter reader supervisor with Chilquinta Energía, chats with a customer.

Access to electricity is also an issue. In some areas served by our South American utilities, not everyone is connected to the grid. Luz del Sur has brought electricity to thousands of Peruvians who live in underprivileged areas through participation in a government program intended to improve economic development and productivity by connecting those communities to electric service.

Electric reliability performance[1]

	SAIDI[2]: Average outage duration (in minutes)	SAIFI[3]: Average number of outages per customer, per year
SDG&E	60	0.47
Chilquinta Energía	400	3.58
Luz del Sur	602	2.92

[1] *System operating conditions, electric reliability performance and methodology for calculating performance vary significantly from country to country.*

[2] *System Average Interruption Duration Index*

[3] *System Average Interruption Frequency Index*

Customer interaction and community impact

Energy is vital to the communities we serve. The infrastructure that delivers this energy includes power poles, substations, service trucks, transformers, valves, meters, pipes and wires. We engage with customers and community leaders to identify and discuss potential infrastructure impacts and learn about ways to mitigate them.

Sempra's businesses connect with their customers through mail, email, door hangers, advertising, social media and news media. They host community forums, arrange face-to-face meetings and convene community advisory councils – representative groups of regional leaders who provide input on locally relevant topics. Customer satisfaction surveys provide data that indicate how well Sempra's businesses are serving their customers.

With this information, our utilities are able to identify areas where improvement is needed and implement changes to their customer approach, policies and programs. As one example, in response to customer questions and feedback, SDG&E changed its process for scheduling non-safety related planned outages (interruptions in service that are needed to complete significant equipment repairs or upgrades). Planned outages are no longer implemented when extremely hot or cold weather is forecast. Additionally, the company recognizes the many diverse cultures in its service territory and adjusts planned outages to avoid times of religious or cultural celebrations.

Responding to the community at Cameron LNG

Early in the development of the Cameron LNG liquefaction project near Lake Charles, La., the company was considering powering the new facilities using on-site generation. Community leaders were concerned that on-site generation might increase noise and create air quality issues. Ultimately, the company decided to purchase the power it will need to operate the facility from the local power company, thus avoiding the need for on-site generation.

J.C. Thomas, director – external affairs and Aida Burgueño, communications advisor, Sempra International

Rising energy bills

Due to a variety of factors, energy bills continue to increase for many of the customers served by our San Diego Gas & Electric business unit.

As one example, California state law requires that electric utilities obtain a growing percentage of their power from renewable sources. Although the cost is decreasing, renewable energy is still significantly more expensive than energy from traditional power plants. These higher costs impact customer rates.

Heavy energy users shoulder a disproportionate share of these higher rates – they now pay more than twice as much per kilowatt hour as lower energy users under California's outdated rate structure.

In 2013, SDG&E collaborated with consumer groups, solar advocates and others to propose state legislation (Assembly Bill 327), ultimately signed into law by California Gov. Jerry Brown, which allows the California Public Utilities Commission to update the state's 12-year-old electric rate structure so that the cost of operating and maintaining the electric grid is shared more equitably among all customers.

Additionally, SDG&E continues to work to operate and maintain its system with greater efficiency. The utility also shares energy-saving tips and tools with its customers to help them save energy and minimize their costs.

Customer assistance programs

Customer assistance programs help low-income or medically qualified customers pay their energy bills or reduce their energy use. In California, these programs are required and monitored by the California Public Utilities Commission and include CARE ratepayer assistance, the Medical Baseline Allowance program and energy-efficiency upgrades through the Energy Savings Assistance Program (ESAP). In 2013, SDG&E weatherized 14,684 homes through the ESAP program and enrolled nearly 85 percent of its eligible customers in the CARE program. SoCalGas weatherized 106,948 homes through ESAP and enrolled more than 89 percent of its eligible customers in the CARE program.

Our utilities on the U.S. Gulf Coast assist their customers primarily through third-party agencies and nonprofit organizations that have demonstrated effectiveness in this area.

Our South American utilities provide customers with flexible payment options during difficult times. In 2013, Chilquinta Energía made more than 37,000 payment agreements with customers who were having trouble paying their energy bills.

Philanthropy and community involvement

Sempra Energy's areas of focus in philanthropy and employee volunteerism are aligned with our business priorities. We focus on the environment, acknowledging that our business operations could have an impact. We contribute to community development and education: Strong regional economies support a better quality of life; effective schools help develop skilled workers and wise leaders. Finally, we support emergency preparedness, safety and disaster response to help ensure our communities are prepared when a disaster strikes.

Elementary school students learn how to be good stewards of the environment, through SDG&E's Environmental Champions initiative.

In 2013, Sempra Energy and its business units made charitable contributions of $15.4 million, or 1.1 percent of our pretax income. Examples of 2013 business unit giving include the following:

- Through its annual Environmental Champions initiative, SDG&E provided $1 million to local environmental nonprofit organizations in San Diego and southern Orange counties for programs that teach young people in the community how to be stewards of the environment. Community-based organizations received up to $25,000 for individual projects and up to $50,000 for projects where they partnered with other environmental nonprofit organizations.
- SoCalGas provided 61 grants impacting more than 566,000 low-income students in 11 counties through a targeted education initiative focused on early learning; science and math achievement; college readiness; and high school graduation. In addition, it awarded 106 scholarships worth $91,500 to diverse graduating high school students throughout its service territory.
- In Boulder City, Nev., Sempra U.S. Gas & Power provided support for the Desert Research Institute's GreenPower program. This program provides local K–12 educators with "green boxes" filled with items to teach students about the environment and sustainability. The boxes donated by Sempra U.S. Gas & Power included a special solar component that enabled hands-on solar-education activities.
- As part of an ongoing relationship with a network of homes for at-risk children and youth in Valparaíso, Chile, employees of Sempra International subsidiary Chilquinta Energía transformed a former storage area into a classroom. And in the municipality of Parral, Chile, Chilquinta employees helped renovate Los Canelos, a school and home to students who, for a variety of reasons, are not able to live with their families. Work and contributions included replacement of interior electrical infrastructure, a new floor and new mattresses and bedding.

Sempra's philanthropic contributions included disaster relief: Corporate, business unit, foundation and employee contributions totaled more than $300,000 in response to tornadoes in Oklahoma and Mississippi and Typhoon Haiyan in the Philippines.

Our employees also contribute to their communities. Employee giving totaled $3.1 million in 2013, supported by company-run programs like the Sempra Energy Giving Network, a 501(c)(3) nonprofit organization that allows employees to set up direct payroll contributions to charities of their choice. Employee volunteerism is enhanced through programs such as our Volunteer Incentive Program. This program allows employees who give at least 10 hours of their personal time to a nonprofit organization or school to request a grant from the Sempra Energy Foundation to that nonprofit organization or school in the amount of $10 per hour volunteered (with a minimum of 10 hours and a maximum of 25 hours). In 2013, a total of 27,612 employee volunteer hours were matched through this program.

$15.4 million

in charitable contributions in 2013

planning for the FUTURE

These photoelectric panels can pivot toward the sun to maximize efficiency at SDG&E's Energy Innovation Center in San Diego, Calif.

Innovation is essential to our company; we must think creatively to address new challenges and opportunities. From increased availability of domestic natural gas to changing emissions regulations and growing customer interest in energy, we must adapt.

New ways to serve customers

For more than 100 years, electric utilities have delivered energy from large power plants through a vast system of substations, transformers, poles and wires. Similarly, natural gas has been delivered from large-scale producers through a complex distribution system to customer homes and businesses.

Today at our California utilities, these business models are changing.

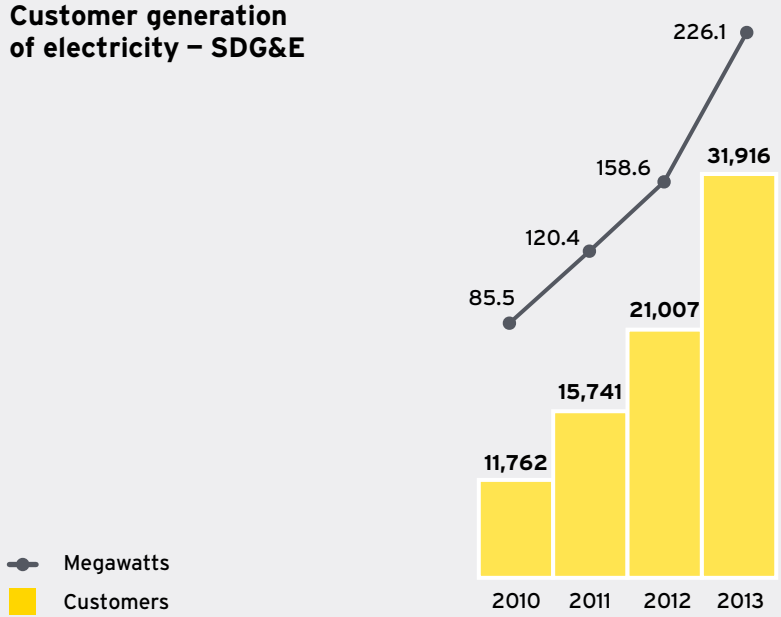
Improvements in manufacturing have lowered the price of solar panels and fuel cells. At the same time, California's electricity rates are rising due to a range of factors (see page 50 for more on rising rates). As a result of these changes, some customers are adding solar panels or fuel cells to their homes and businesses. This means that many new and smaller energy sources are being added to the grid. The number of customers generating all or part of their own power has increased rapidly, nearly tripling between 2010 and 2013 within SDG&E's service territory.

In addition to these new sources of energy, there are also new energy demands. As one example, when electric vehicles are being charged, they add significant demand to the electric grid.

SDG&E is adjusting to these changes. It has installed new equipment to measure, regulate and stabilize the flow of electricity coming from many new and intermittent sources. It also has launched pilot programs that encourage customers to shift their power use to off-peak hours when demand for electricity is lower. A program tested by some electric vehicle owners provides special pricing for off-peak energy usage, encouraging vehicle charging at night when electricity costs less. New online tools help SDG&E customers manage their energy use. Smart meters provide detailed hour-by-hour usage data, giving customers the information they need to reduce or shift their energy use. And energy audits for homes and businesses often identify additional energy savings opportunities.

In addition to adjusting to new customer needs and technologies, SDG&E is also advocating for an update to the electric rate structure. Under the current structure, higher energy users are penalized and often pay more than twice as much per kilowatt hour while lower energy users benefit from lower, subsidized rates. This rate structure also does not adequately take into account the cost of operating and maintaining the grid. As one example, utilities may not charge a customer with rooftop solar for the cost of operating and maintaining the electric grid, which provides the power they need when the sun is not shining. While some customers may choose to generate their own electricity, they still need the electric grid to provide reliable power when their own power sources are not producing. The rate structure must be updated so that it reflects these new operating conditions and treats all customers equitably.

Customer generation of electricity – SDG&E



Natural gas innovations

SoCalGas has established a $1 million innovation fund with the nonprofit Los Angeles Cleantech Incubator (LACI) to accelerate the development and commercialization of clean natural gas technologies. This collaborative effort will help bring potential clean technology solutions to market in three key areas: fuel cells, renewable natural gas and distributed natural gas products such as transportation fuels.

This project should accelerate the development of technologies that can produce natural gas from biomass and solar energy, helping to make natural gas a truly sustainable energy source. LACI will identify those technologies best suited for incubation and development, and help them deploy into SoCalGas' service territory and other key markets.

LEADERSHIP Q&A

DENNIS ARRIOLA president and chief executive officer, SoCalGas

"Our company's natural gas infrastructure may become California's largest renewable energy battery."

1 **SoCalGas has been around for more than 140 years. Why does the company need to change?** Five to seven years ago, the commonly held belief was that our country was running out of natural gas. Today, because of enhanced drilling techniques, natural gas is once again becoming the fuel of choice. At SoCalGas, we need to help our customers take advantage of this clean-burning, low-cost energy source.

2 **What are some new ways your customers might use natural gas?** In natural gas-powered vehicles, as just one example. Natural gas produces 20 to 30 percent less greenhouse gas emissions when compared to gasoline. We actually have customer fleet operators coming to us saying, "We need your help switching to natural gas."

At the end of 2013, the CPUC (*California Public Utilities Commission)* issued a decision that allows us to provide compression services to help fuel natural gas vehicles. This is especially important in Southern California, where cleaner vehicles can be part of the solution in improving our air quality.

3 **What about the opportunity to provide natural gas to run fuel cells, which produce electricity?** The growing demand for technology like fuel cells will drive down the cost, similar to what happened with solar panels. Customers will be able to use natural gas as a fuel source to power their energy needs. This is yet another way we can serve our customers.

4 **Looking down the road a bit, what becomes of SoCalGas' vast system of natural gas pipelines in a future economy that isn't as reliant upon carbon-based fuels?** Natural gas is likely to remain an important foundational fuel for the foreseeable future, especially as we continue to see an increase in renewable power. Since wind and solar are intermittent, the role of natural gas in electric generation is more important than ever.

But if you want to look farther down the road, our company's natural gas infrastructure may become California's largest renewable energy battery. New technologies being piloted today in Germany and other parts of Europe use excess renewable energy to take the hydrogen out of water and use it for fuel. We could do the same thing: use renewable energy to produce clean, carbon-free hydrogen gas; put it into our system; and then use it to generate cleaner electricity.

A compressed natural gas (CNG) fueling station in Lancaster, Calif., SoCalGas

The business model for natural gas utilities is also changing. With prices near historic lows, new uses for this fuel are being developed. Natural gas-powered vehicles are playing an increasing role in personal and commercial transportation while also reducing air emissions. Fuel cells (devices that can convert the chemical energy in natural gas into electricity) are becoming more common in a wide range of industrial, commercial and even residential settings. SoCalGas is adapting to these changes (see Leadership Q&A for more).

Changes in natural gas markets

New technologies, such as advanced meters and fuel cells, are catalysts of innovation. Yet, broader changes in global energy supply and demand — along with shifting attitudes about energy — also call for creative thinking and change.

In recent years, improvements in hydraulic fracturing have dramatically increased the availability of natural gas in the United States (see page 36 for our company's position on hydraulic fracturing and responsible natural gas extraction). Because of our business interest in natural gas, we have identified three significant opportunities to capitalize on the increased availability of this energy source:

- Natural gas as a replacement for coal in power plants (see page 24 sidebar on U.S. energy policy for more);
- Natural gas as a fuel source for transportation; and
- Natural gas as an export, in liquid form, to international markets.

Sempra U.S. Gas & Power has been working to expand its natural gas infrastructure, which includes natural gas pipelines, distribution and storage, to support the shift away from using coal for power generation. Both Sempra U.S. Gas & Power and SoCalGas are working independently to support the development and expansion of compressed natural gas and LNG as cleaner alternative fuels for transportation. And Sempra Energy business units are in the process of expanding the existing Cameron LNG receipt terminal to include facilities that would enable the liquefaction and export of natural gas.

Construction yard, Northwestern Pipeline System, Sonora, Mexico. Our business units have identified significant opportunities to capitalize on the increased availability of natural gas.

Progress on LNG liquefaction terminal

The Cameron LNG liquefaction project achieved significant milestones in 2013. Perhaps the most important development, however, occurred in early 2014 when the company obtained a conditional permit from the U.S. Department of Energy to export LNG to countries with which the United States does not have free trade agreements. This permit significantly expands the market for the LNG that will be liquefied at the Cameron LNG facility. It also has geopolitical ramifications, particularly for markets that currently rely on countries such as Russia or Iran for their natural gas.

Cameron LNG terminal near Hackberry, La.

2,028 megawatts

by 2018: Sempra U.S. Gas & Power's renewable power investment goal

Shifting consumer attitudes

Some energy consumers in our service territories are concerned that the way their energy is produced may be exacerbating the effects of climate change. Policymakers and energy regulators have responded to these concerns. In California, for example, the state's Renewable Portfolio Standard requires state utilities to obtain an increasing percentage of their electricity from renewable sources. At the federal level, the U.S. Environmental Protection Agency has implemented new regulations limiting power plant emissions.

These changes require our businesses to think strategically and adapt their approach.

SDG&E continues to increase the percentage of electricity it delivers to its customers that originates from renewable sources. In 2013, more than 23 percent* came from renewable sources such as solar, wind and biomass. Based on renewable contracts signed to date, this business is on track to obtain 33 percent of its electricity from renewable sources by 2020, as required by the state.

Sempra U.S. Gas & Power focuses on developing renewable energy to meet increasing demand. This business is on track to meet its latest goal of being invested in 2,028 megawatts of renewable power by 2018. Sempra U.S. Gas & Power employees also continue to identify opportunities to integrate new, more-efficient energy technologies into their projects. One example is grid battery system technology, currently utilized at the company's Auwahi Wind facility in Hawaii, which helps regulate and sustain power to the grid during variable wind conditions. Additionally, the company is looking into the development of small-scale liquefied natural gas (LNG) liquefaction facilities to support the use of LNG in the marine, mining, rail and power-generation sectors.

Across the Sempra Energy family of companies, we are adapting to the major shifts taking place in our industry. We are finding new ways of serving our customers. We are identifying new opportunities and markets for our products and services. And we are responding to evolving consumer attitudes and energy regulations.

When we do these things, we enhance shareholder value and we meet stakeholder needs, *Achieving balance*.

** These results subject to audit by the CPUC and other regulatory agencies.*

Clockwise from top: Chris Nanson, project coordinator, SDG&E, installing rooftop solar. Customers who generate their own electricity still need a reliable electric grid. | Allison Zaragoza, communications manager, SDG&E, at an electric vehicle charging station | John Matich, communications specialist, and Steve Schooff, manager of communications, Sempra U.S. Gas & Power, at the 2014 Climate Leadership Conference in San Diego, Calif. | Ana Cruz, customer service specialist, Ecogas, Mexicali, Mexico

We're listening

Please complete our brief online survey at sempra.com/responsibility and let us know which issues are most important to you.

Performance data

	2010	2011[1]	2012[1]	2013[1]
Our business				
Revenues (millions of dollars)	9,003	10,036	9,647	10,557
Earnings (millions of dollars)	709	1,331	859	1,001
Earnings per diluted share (dollars)	2.86	5.51[2]	3.48	4.01
Total assets (millions of dollars)	30,231	33,249	36,499	37,244
Number of board directors	11	12	10	13
Number of independent board directors	9	10	9	12
Independent board directors who are women or minorities (% of independent directors)	56	50	44	50
Ethics and compliance helpline calls	130	155	132	167
Our environment				
Renewable energy deliveries (% of previous year total sales)[3]	11.9	20.8	20.3	23.6
Agency inspections	287	420	435	395
Notices of violation (NOV)[4]	13[5]	10	11	8
Inspections with no NOV issued (% of total inspections)	96[6]	98	97	98
Fines and penalties (dollars)	25,125	28,825	18,875	1,734[7]
Internal compliance assessments and audits	460	825	835	945
Scope 1 greenhouse gas emissions (million metric tons CO_2e)	9.8	8.2	8.2[8]	7.6[9]
Scope 2 greenhouse gas emissions (million metric tons CO_2e)	0.363	0.32	0.319[8]	0.268[9]
Scope 3 greenhouse gas emissions from SDG&E purchased power (million metric tons CO_2e)	4.8	4.8	3.8[8]	2.8[9]
CO_2 emissions rate for power generation (lbs CO_2/megawatt-hour)[10]	731	655	774[8]	708[9]
NO_x emissions from power generation (tons)	545	465	494	464
NO_x emissions rate for power generation (lbs/megawatt-hour)[11]	0.049	0.05	0.06	0.057
SO_2 emissions from power generation (tons)	36	32	31	21
SO_2 emissions rate for power generation (lbs/megawatt-hour)[11]	0.003	0.003	0.004	0.003
Total water withdrawal (billions of gallons)[12]	35.4	29.4	30.7	31.9
Returned water (billions of gallons)[12]	30.1	24.7	27.4	28.7
Hazardous waste (tons)[13]	7,289	8,625	2,383	2,901
Our workplace, suppliers and communities				
Number of employees	13,500	17,500	16,900	17,100
Employee work-related fatalities	1	0	0	1
Recordable injury case rate (per 100 full-time workers)	3.64	2.42	2.26	2.41
Employee lost workday case rate (per 100 full-time workers)	1.18	0.92	0.86	0.88
Women in workforce (% of U.S. employees)	31	31	31	31
Women in management (% of U.S. management)	36	35	36	36
Ethnic minorities in workforce (% of U.S. employees)	53	53	54	56
Ethnic minorities in management (% of U.S. management)	46	44	45	47
Spending with diverse business enterprises (% of total spending)[14]	37	38	38	45
Sempra Energy and Sempra Energy Foundation giving (millions of dollars)	14.1	14.5	15.8	15.4

1 *Except where noted, 2011-2013 data include Chilquinta Energía and Luz del Sur, electric utilities acquired in April 2011. 2012-2013 data also include Willmut Gas, acquired in May 2012. Prior year data were not restated.*

2 *This value includes the gain of $1.15 per diluted share recorded to reflect the remeasurement of our equity-method investments in Chile and Peru as a result of acquiring controlling interests in these utilities.*

3 *Power purchased on behalf of SDG&E customers. These results subject to review and audit by the CPUC and other regulatory agencies.*

4 *Self-reported violations are not included.*

5 *Two of our 2010 NOVs (a reporting oversight and improper dumping by others of tires and rubbish on undeveloped property) were neither self-reported nor a result of an agency inspection.*

6 *The calculation for this percentage does not include the two NOVs that were neither self-reported nor a result of an agency inspection.*

7 *The amount of fines and penalties paid varies from year to year depending on the nature of the violation and the timing of its resolution.*

8 *2012 greenhouse gas emissions data have been updated following an independent verification of the data.*

9 *2013 greenhouse gas emissions data are unverified and subject to change.*

10 *Emissions rate from power generation on an equity-share basis. Data from Chilquinta Energía peaker plants are not included.*

11 *Emissions rate from power generation on an equity-share basis*

12 *While we continue to improve data collection related to water use, these numbers do not yet account for all aspects of our operations, including natural gas pipeline testing at our California utilities.*

13 *Significant year-to-year variation in amount of hazardous waste is due to variation in manufactured-gas plant site remediation activity.*

14 *Covers spending with diverse business enterprises at SDG&E and SoCalGas only*

Awards

- *Corporate Responsibility* magazine's "100 Best Corporate Citizens"
- Carbon Disclosure Leadership Index for the S&P 500 from CDP
- Dow Jones Sustainability World Index from RobecoSAM
- Chairman and CEO Debra L. Reed named to "50 Most Powerful Women in Business" by *Fortune* magazine
- "Corporate Leader" award from Leadership California
- Ethisphere Institute's "World's Most Ethical Companies"
- "Corporate Equality Leader" award from the Human Rights Campaign
- "Top Ten Best North American Utilities" award for smart grid development from Greentech Media (SDG&E)
- "Renewable Top Plant" by *POWER* magazine for the 150-megawatt Mesquite Solar 1 facility (Sempra U.S. Gas & Power)
- "Green Award" from the *Las Vegas Business Press* for 58-megawatt Copper Mountain Solar 1 facility (Sempra U.S. Gas & Power)
- "Corporation of the Year" award from the Southern California Minority Supplier Diversity Council (SoCalGas)
- Chilquinta Energía ranked first in customer perceptions on service and reliability (for businesses of more than 120,000 customers) by Chile's Superintendent of Electricity and Combustibles (Sempra International)
- Southern Gas Association's 2013 "Community Service" award given to Mobile Gas (Sempra U.S. Gas & Power)
- "Reliability One" award from PA Consulting Group for excellence in delivering reliable electric service (SDG&E)
- Chilquinta Energía named one of Chile's Best Places to Work by the Great Place to Work Institute (Sempra International)

Jeff Nichols, director – information security and information management (second from left), and Lee Krevat, director – IT and client services (far right), SDG&E, accept a smart grid development award from Greentech Media.

Goals and results[1]

◆ *Met* ◆ *Partly/in progress* ◇ *Did not meet*

2013 Goals	2013 Results	2014 Goals
Emissions reduction		
Decrease our CO_2 emissions rate by at least **10 percent** by 2016 compared to a 2010 baseline	◆ Decreased rate by **3 percent**	Decrease our CO_2 emissions rate by at least **10 percent** by 2016 compared to a 2010 baseline
Renewable energy		
Provide an average of **20 percent** of customers' electricity from renewable sources of energy in 2011-2013 (SDG&E)	◆ Provided **23.6 percent**[2] from renewable sources of energy	Provide an average of **25 percent** of customers' electricity from renewable sources of energy by 2016 and 33 percent by 2020
Invest in **1,850 megawatts** of renewable power by 2017 (Sempra U.S. Gas & Power)	◆ Invested in **1,384 megawatts**	Invest in **2,028 megawatts** of renewable power by 2018
Energy efficiency		
Achieve the following, through customer energy efficiency programs (SDG&E): **221 gigawatt-hours** in energy savings **43 megawatts** of demand reduction **2.2 million therms** of natural gas saved	Saved: ◆ **221 gigawatt-hours** ◇ **33 megawatts** ◇ **0.9 million therms**	Achieve the following, through customer energy efficiency programs: **212 gigawatt-hours** in energy savings **41 megawatts** of demand reduction **2.1 million therms** of natural gas saved
Achieve the following, through customer energy efficiency programs (SoCalGas): **24.1 million therms** of natural gas saved	Saved: ◆ **25.4 million therms**	Achieve the following, through customer energy efficiency programs: **23.2 million therms** of natural gas saved
Reduce facility electricity consumption **20 percent** by 2015 compared to a 2003 baseline (SDG&E)	◆ Reduced consumption **25 percent**	Reduce facility electricity consumption **20 percent** by 2015 compared to a 2003 baseline
Reduce facility electricity consumption **20 percent** by 2013 compared to a 2003 baseline (SoCalGas)	◇ Reduced consumption **8 percent**	Reduce facility electricity consumption **10 percent** by 2014 compared to a 2003 baseline
Water consumption		
Reduce facility water consumption **5 percent** by 2015 compared to a 2010 baseline (SDG&E)	◆ Consumption *increased* **4 percent**	Reduce facility water consumption **5 percent** by 2015 compared to a 2010 baseline
Reduce facility water consumption **5 percent** in 2013 compared to a 2007 baseline (SoCalGas)	◆ Reduced consumption **25 percent**	Reduce facility water consumption **20 percent** in 2014 compared to a 2007 baseline
Planning for the future		
Install **6 million natural gas smart meters** by 2017 (SoCalGas)	◆ Installed **1.1 million meters**	Install **6 million** natural gas smart meters by 2017
Safety		
Achieve a consolidated employee recordable incident rate of **2.66 cases** per 100 full-time workers	◆ Achieved rate of **2.41 cases**	Achieve a consolidated recordable incident rate[3] of **2.51 cases** per 100 full-time workers

[1] *If goal is not Sempra-wide, the relevant business unit is indicated in parentheses in the first column.*

[2] *These results subject to review and audit by the CPUC and other regulatory agencies.*

[3] *2014 goal includes not only employees, but also contractors at our utilities in Mexico, Chile and Peru, where they perform a very substantial proportion of the work.*

◆ Met ◆ Partly/in progress ◇ Did not meet

2013 Goals	2013 Results	2014 Goals
Electric reliability		
Limit average duration of electricity outages (SAIDI) to: **64 minutes** (SDG&E) **576 minutes** (Chilquinta Energía) **420 minutes** (Luz del Sur)	 ◆ **60 minutes** ◆ **400 minutes** ◇ **602 minutes**	Limit average duration of electricity outages (SAIDI) to: **63 minutes** **562 minutes** **390 minutes**
Limit average number of electricity outages (SAIFI) to: **0.54 outages** (SDG&E) **5.32 outages** (Chilquinta Energía) **3.00 outages** (Luz del Sur)	 ◆ **0.47 outages** ◆ **3.58 outages** ◆ **2.92 outages**	Limit average number of electricity outages (SAIFI) to: **0.57 outages**[1] **5.11 outages** **3.00 outages**
Customer assistance programs		
Enroll **90 percent** of eligible customers in California Alternate Rates for Energy program (SDG&E)	◇ Enrolled **84.9 percent**	Enroll **90 percent** of eligible customers in the California Alternate Rates for Energy program
Enroll **90 percent** of eligible customers in California Alternate Rates for Energy program (SoCalGas)	◇ Enrolled **89.2 percent**	Enroll **90 percent** of eligible customers in California Alternate Rates for Energy program
Weatherize **20,316 homes** through the Energy Savings Assistance Program (SDG&E)	◇ Weatherized **14,684 homes**	Weatherize **20,316 homes** through the Energy Savings Assistance Program
Weatherize **136,836 homes** through the Energy Savings Assistance Program (SoCalGas)	◇ Weatherized **106,948 homes**	Weatherize **136,836 homes** through the Energy Savings Assistance Program
Diverse Business Enterprises (DBEs)		
Achieve **35 percent** in spending with diverse business enterprises (DBEs) at our California utilities (SoCalGas and SDG&E combined goal)	◆ Achieved **44.9 percent** (SDG&E)	Achieve **40 percent** in spending with diverse business enterprises
Achieve **35 percent** in spending with diverse business enterprises (DBEs) at our California utilities (SoCalGas and SDG&E combined goal)	◆ Achieved **45.4 percent** (SoCalGas)	Achieve at least **35 percent** in spending with diverse business enterprises
Philanthropy		
Contribute **1 percent** of annual pretax income to our communities	◆ Contributed **1.1 percent**	Contribute **1 percent** of annual pretax income to our communities
Provide **65 percent** of Sempra Energy's philanthropic contributions in California to underserved and communities of color	◆ **72.5 percent** to underserved and communities of color	Provide **65 percent** of Sempra Energy's philanthropic contributions in California to underserved and communities of color

[1] *SDG&E goal updated using the SAIFI calculation protocol developed by the Institute of Electrical and Electronics Engineers.*

Supplemental Reconciliation of Sempra Energy Earnings to Sempra Energy Adjusted Earnings Excluding Loss from Plant Closure and Retroactive Impacts of 2012 General Rate Case (GRC) in 2013, Net Impairment Charge in 2012, and Gain from Remeasurement of Equity Method Investments in 2011 (Unaudited)

Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share excluding 1) in 2013, a $119 million loss from plant closure resulting from the early retirement of the San Onofre Nuclear Generating Station (SONGS) and $77 million retroactive impacts of the 2012 GRC for the full-year 2012, 2) in 2012, a $214 million impairment charge on our investment in Rockies Express Pipeline LLC (Rockies Express), net of a $25 million Kinder Morgan receipt and 3) in 2011, a $277 million gain from the remeasurement of equity method investments in Chilquinta Energía and Luz del Sur as a result of acquiring controlling interests in these entities, are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States). Because of the significance and nature of these items, management believes that these non-GAAP financial measures provide a more meaningful comparison of the performance of Sempra Energy's business operations from 2013 to 2011 and to future periods. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles for historical periods these non-GAAP financial measures to Sempra Energy Earnings and Diluted Earnings Per Common Share, which we consider to be the most directly comparable financial measures calculated in accordance with GAAP.

	Years ended December 31,		
(Dollars in millions, except per share amounts)	2013	2012	2011
Sempra Energy Earnings (GAAP)	$1,001	$859	$1,331
Add: Loss from Plant Closure in 2013	$119	–	–
Less: Retroactive Impact in 2013 of 2012 GRC for Full-Year 2012	($77)	–	–
Add: Rockies Express Impairment Charge, Net of Kinder Morgan Receipt, in 2012	–	$214	–
Less: Remeasurement Gain in 2011	–	–	($277)
Sempra Energy Adjusted Earnings	**$1,043**	**$1,073**	**$1,054**
Diluted earnings per common share:			
Sempra Energy Earnings (GAAP)	$4.01	$3.48	$5.51
Sempra Energy Adjusted Earnings	$4.18	$4.35	$4.36
Weighted-average number of shares outstanding, diluted (thousands)	**249,332**	**246,693**	**241,523**

We make extensive filings with state and federal regulatory agencies on many aspects of our operations and service. This corporate responsibility report and the related pages on Sempra Energy's website, www.sempra.com, are designed to provide a high-level summary of some of our operations and services. For additional information concerning our operations and services, please refer to our filings with the Securities and Exchange Commission, California Public Utilities Commission and other applicable governmental agencies.

Information regarding forward-looking statements

This report contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "contemplates," "intends," "depends," "should," "could," "would," "will," "may," "potential," "target," "pursue," "goals," "outlook," "project," "maintain," "depends" or similar expressions, or discussions of guidance, strategy, plans, goals, opportunities, projections, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions and the timing of actions, including issuances of permits to construct, and licenses for operation, by the California Public Utilities Commission, California State Legislature, Federal Energy Regulatory Commission, U.S. Department of Energy, Nuclear Regulatory Commission, Atomic Safety and Licensing Board, California Energy Commission, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and other countries where the company does business; capital markets conditions, including the availability of credit and the liquidity of investments; the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects; inflation, interest and exchange rates; the impact of benchmark interest rates, generally Moody's A-rated utility bond yields, on the California utilities' cost of capital; energy markets, including the timing and extent of changes and volatility in commodity prices; the availability of electric power, natural gas and liquefied natural gas, including disruptions caused by failures in the North American transmission grid, pipeline explosions, equipment failure and the decommissioning of San Onofre Nuclear Generating Station (SONGS); weather conditions, natural disasters, catastrophic accidents, and conservation efforts; risks inherent with nuclear power facilities and radioactive materials storage, including catastrophic release of such materials, the disallowance of the recovery of the investment in, or operating costs of, the nuclear facility due to an extended outage and facility closure, and increased regulatory oversight; risks that our partners or counterparties will be unable or unwilling to fulfill their contractual commitments; risks posed by decisions and actions of third parties who control the operations of investments in which the company does not have a controlling interest; wars, terrorist attacks that threaten system operations and critical infrastructure, and cybersecurity threats to the energy grid and the confidentiality of our proprietary information and the personal information of our customers; business, regulatory, environmental and legal decisions and requirements; expropriation of assets by foreign governments and title and other property disputes; the impact on reliability of SDG&E's electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates of 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; the inability or determination not to enter into long-term supply and sales agreements or long-term firm capacity agreements; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. These risks and uncertainties are further discussed in the most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the EDGAR system free of charge on the SEC's website, www.sec.gov, and on the company's website at www.sempra.com.

We caution you not to rely unduly on any forward-looking statement. These forward-looking statements speak only as of the date hereof, and we undertake no obligation to update or revise these forecasts or projections or other forward-looking statements, whether as a result of new information, future events or otherwise.

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