



Growing responsibly

CORPORATE RESPONSIBILITY REPORT 2014

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Please consider the environment before printing. This document is accurate as of July 31, 2015. See responsibility.sempra.com for the most up-to-date version.

Letter from our Chairman and CEO

At Sempra Energy®, our strategic focus is on growing profitably and responsibly, creating long-term value for our shareholders. To be successful, we know we must provide safe and reliable service to our millions of customers in North and South America and continue to grow our business in a sustainable way. We are developing natural gas liquefaction and export facilities on the U.S. Gulf Coast; expanding our portfolio of solar and wind facilities; building new energy infrastructure in Mexico, including several natural gas pipelines; and enhancing safety and reliability in all of our businesses.

There are three keys to carrying out our mission successfully:

- **Managing risk:** The energy infrastructure we develop and operate is contracted for the long term, limiting our exposure to the volatility of the markets in which we do business.
- **Pursuing cleaner sources of energy:** We believe that demand for clean energy will continue to rise. When we develop and procure renewable energy and deliver clean natural gas, we can meet the energy needs of our customers while reducing our impact on the environment.
- **Developing our people and strengthening our stakeholder relationships:** We work hard to serve our customers; develop and support our employees; forge alliances with our business partners; collaborate with our suppliers; and respond effectively to the needs of the communities where we do business.



I feel fortunate to lead a team of outstanding employees who bring passion and professionalism to their jobs every day.

As our industry continues to change, we will continue to adapt. We will do this by listening, collaborating and innovating.

I feel fortunate to lead a team of outstanding employees who bring passion and professionalism to their jobs every day. They make our success possible – and they are at the heart of Sempra's commitment to corporate responsibility.

Thank you for your interest in our company. We welcome your ideas on how we can better serve you.

Debra L. Reed

Debra L. Reed
Chairman and CEO



How we do business

Sempra Energy is a Fortune 500 energy services holding company serving more than 32 million consumers worldwide through four businesses.

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HOW WE DO BUSINESS

Business model and values

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 in rapidly changing market conditions.

At Sempra Energy, we believe that demand for lower-carbon sources of energy will continue to rise. As a result, our business model prioritizes the development of low- and zero-carbon energy resources. Together with improved energy efficiency programs ([SDG&E](#) and [SoCalGas](#)) and a focus on innovation, we believe this model prepares our company to meet the energy needs of our customers well into the future.



For our business to flourish, we must work to build strong stakeholder relationships.

How we do business is important. We act with integrity. We engage with others and seek their feedback, acknowledging the importance of diverse perspectives. We set and achieve tough goals. And we think strategically and critically, with an eye toward the future. These values reflect our commitment to stakeholders. For our business to flourish, we must fulfill that commitment and work to build strong stakeholder relationships:

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

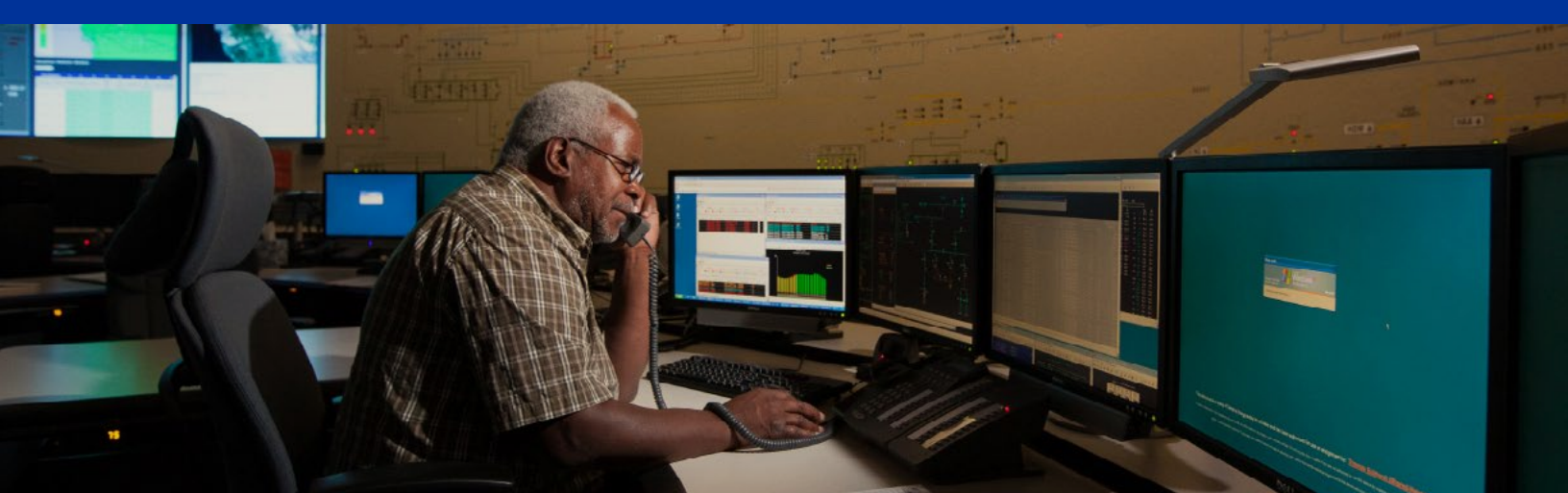


Our employee culture must prioritize safety and outstanding performance.



We recruit and retain the best employees, and treat them with respect.

Our customers, shareholders and employees rely on Sempra Energy. We work to exceed their expectations. By listening to their needs and engaging with them in an honest and respectful way, we not only build trust - we achieve more stable and predictable business outcomes.



HOW WE DO BUSINESS

Governance

Sempra Energy is managed under the direction of its board of directors. The board establishes broad policies and monitors the performance of the company and the CEO. The CEO and senior management team lead day-to-day business operations. These leaders use a range of management systems to track performance across Sempra Energy and its businesses.

BOARD OF DIRECTORS

As of December 31, 2014, Sempra Energy's board of directors had 13 members with a broad range of skills and deep experience in areas relevant to managing a large multinational energy services holding company. These include experience in:

- Executive management;
- Public and private finance;
- Legal and regulatory issues;
- Government, political and public service;
- Transnational business activities, international energy markets and operations;
- Real estate;
- Corporate governance;
- Technological advances and business models; and
- Energy infrastructure construction and operations.

Board member biographies are published in our [annual proxy statement](#).

As of December 31, 2014, 12 of the 13 members of Sempra's board were independent, according to the principles and standards established by the New York Stock Exchange. Seven of the 13 members, or more than 50 percent, were women or people of color.

KEY GOVERNANCE ISSUES

Each year, in conjunction with our annual meeting of shareholders, Sempra Energy's shareholders have the opportunity to elect each member of our board of directors. They also vote on the company's selection of the independent public accounting firm chosen by the board's audit committee to audit our financial statements. Finally, they cast an advisory vote on the company's executive compensation program.

In addition to these recurring votes, a shareholder who has held \$2,000 of voting shares of Sempra Energy stock for at least one year may submit one proposal per year to raise certain business matters at the annual meeting. These proposals are either: published in our [annual proxy statement](#) and voted on by shareholders in conjunction with the annual meeting; excluded, according to U.S. Securities and Exchange Commission guidelines; or withdrawn by the shareholder. The board may also submit proposals for shareholder consideration.

In the past year, our senior management engaged with holders of more than 40 percent of our total outstanding shares and nearly 55 percent of our total institutional share ownership.

	2011	2012	2013	2014
Proxy vote summary (percent vote "For")				
Election of directors (average) ²	96	95	95	99
Ratification of independent auditors ²	99	99	99	99
Advisory vote on executive compensation ²	75	86	87	97
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 ³	19	-
Long term incentive plan ²	-	-	96	-

1 Defined as For/(For+Against), expressed as a percentage. Abstentions and broker non-votes are not included in the calculation.

2 Proposals submitted by the board.

3 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 proxy statement, available on the company's website.

ETHICS & CODE OF CONDUCT

At Sempra Energy, we work to maintain the highest standards of business conduct. We expect our board directors, officers, employees and suppliers to act ethically at all times - and to conduct business in compliance with all laws, rules and regulations. When we consistently act with integrity, we build stakeholder trust and strengthen our reputation.

Our [Code of Business Conduct](#) makes it clear that each board director, officer, employee and supplier is personally responsible for his or her decisions and actions. To foster a culture of compliance, we provide:

- Clear [company policies](#)
- Mandatory annual online compliance and ethics training; and
- In-person compliance and ethics-related training sessions, as needed.





We recognize that our standards and policies are more effective when employees, suppliers and contractors trust that they can report a potentially unsafe, unethical or compliance-related concern without fear of retaliation. To encourage disclosure of these concerns, Sempra Energy provides a wide range of reporting channels.

Employees may report an ethical concern to: their immediate supervisor; the next level of management above their supervisor; the corporate compliance department; the human resources department; our chief ethics officer, currently Senior Vice President, Chief Human Resources and Administrative Officer G. Joyce Rowland; or take other actions as outlined in our Code of Business Conduct.

Employees, shareholders, suppliers, regulators and customers may raise questions or concerns about ethics or compliance issues using our Ethics & Compliance Helpline:

- SempraEthics.com
- United States: 800-241-5689
- Mexico: 001-770-582-5249
- Chile: 600-320-1700
- Peru: 0800-7-0690

The Helpline is available 24 hours a day seven days a week, and provides the option to report anonymously. Every report made to the Ethics & Compliance Helpline is investigated.



HOW WE DO BUSINESS

Risk management

To develop and deliver safe, reliable and affordable energy, our company and businesses must prepare for adverse events and uncertainties.

Risk management teams from across the Sempra Energy businesses use a range of tools to identify and assess risks including risk registries, risk maps, scenario sensitivity analyses and correlation analyses. For each identified risk, the teams assess the potential impact, likelihood of the event and strength of controls. Once a risk has been assessed, risk managers work to mitigate it.

Each core business's risk management department reports directly to its CEO or COO - and each core business reports the risks it has identified to its board of directors. Sempra Energy's corporate risk management department reports to Sempra's CFO - and reports aggregated risks to the Sempra Energy board of directors.

KEY RISKS

At Sempra Energy we assess a risk based on its ability, probability and potential to have a significant adverse impact on our business. Types of risk assessed include financial risks; operational risks, including safety and cybersecurity risks; regulatory and compliance risks; and other risks - examples of each are listed below.

- **Financial risk** - Sempra Energy's cash flows, ability to pay dividends and ability to meet its debt obligations largely depend on the performance of its subsidiaries and the ability to utilize the cash flows from those subsidiaries.
- **Operational risk** - Severe weather conditions, natural disasters, catastrophic accidents or acts of terrorism could materially adversely affect our businesses, financial condition, results of operations, cash flows and/or prospects.
- **Safety risk** - There are inherent public and employee safety risks associated with operating natural gas pipelines, electric transmission and distribution lines, LNG receipt terminals, natural gas storage, natural gas-fired power plants, solar plants and wind turbines.
- **Cybersecurity risk** - There is the potential for the malicious use of new business technologies, which could present a risk to our information systems and the integrity of our energy grid and our natural gas pipeline infrastructure and storage.
- **Regulatory risk** - Our businesses are subject to complex government regulations and may be materially adversely affected by changes in these regulations or in their interpretation or implementation.

- **Reputational risk** - The reputation of our companies is fundamental to our license to operate: It plays a role in the ease with which we can operate in the communities we serve. This includes impacting our ability to receive needed project approvals and permits from local governments, regulatory and permitting agencies.
- **Regulatory risk** - Meaningful rate reform is necessary because the current multi-tiered electric rate design in California results in a disproportionately high amount of San Diego Gas & Electric's fixed cost of operating and maintaining its electric infrastructure being borne by higher-use residential customers, which results in high electric rates that indirectly subsidize lower-use residential customers in the residential customer class. The failure by the California Public Utilities Commission to reform SDG&E's rate structure in a relevant manner could have a material adverse effect on its business, cash flows, financial condition, results of operations and/or prospects.
- **Compliance risk** - Our businesses have significant environmental compliance costs, and future environmental compliance costs could have a material adverse effect on our cash flows and results of operations..

Effective risk management is essential to maintaining stable operation of our businesses - and to achieving strong and predictable business outcomes.

These and other risks are described in detail under the heading "Item 1A. Risk Factors" in our [2014 Form 10-K](#), filed with the U.S. Securities and Exchange Commission. Effective risk management is essential to maintaining stable operation of our businesses - and to achieving strong and predictable business outcomes.

COMPLIANCE & MANAGEMENT SYSTEMS

To assess performance and compliance, Sempra Energy and its businesses use a range of management systems and processes.

By tracking key metrics, we protect our company from exposure to unnecessary risk and encourage strong performance. A partial list of these systems is below.

- **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.



By tracking key metrics, we protect our company from exposure to unnecessary risk.

- **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.
- **Employment training and performance system** – 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 the level of criticality for each business function.
- **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 system and process** – 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.

SUPPLIER SELECTION & MONITORING

Supplier selection and monitoring also plays an important role in limiting risk. (For details on the environmental impact of our supply chain, including the impact of electricity and natural gas that we purchase, see [page 19](#).)

We work to ensure diversity in our supply chain. This means engaging a range of suppliers: small, mid-sized and large companies; newer as well as more established companies; and companies with operations in different locations. Working with a diverse set of suppliers makes our supply chain more flexible and resilient, and also results in improved products and services and cost savings.

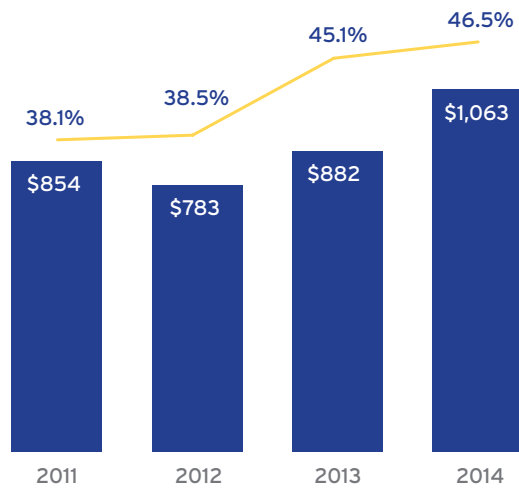
Working with a diverse set of suppliers makes our supply chain more flexible and resilient, and also results in improved products and services and cost savings.

Once a supplier has been selected, we monitor their performance. Supply chain managers in our businesses verify supplier compliance: Will they deliver the goods or services as expected – and do their operations align with [Sempra Energy values and standards](#)? This includes acting with integrity (suppliers are subject to anti-corruption review); complying with applicable laws and regulations; achieving strong health and safety performance; respecting employee rights and minimizing impact on the environment. We understand that suppliers are independent entities. However, supplier business practices and actions can impact and reflect on Sempra Energy.

At our California utilities, supplier diversity includes working with diverse business enterprises (DBEs). In 2014, SoCalGas and SDG&E achieved 48.4 percent and 44.4 percent, respectively, in spending with DBEs, exceeding targets established by the California Public Utilities Commission.

DBE spending at SoCalGas and SDG&E

Millions of dollars and percentage of total spending at SDG&E and SoCalGas



We continue our efforts to better understand the impact of our suppliers and our supply chain. This includes identifying suppliers that are critical to our operations and assessing their ability to continue to supply us with critical goods or services.

More information on our supply chain can be found on [page 36](#).



2014 Performance

“High-performing” is one of Sempra Energy’s core values: We set tough goals and work hard to deliver outstanding results. Financial performance includes our annual revenues and earnings as well as the economic value we generate and distribute. Environmental performance includes our greenhouse gas emissions; our water usage; how much waste we generate and how we dispose of it. Community performance and employee performance describe how we meet the needs of employees, customers and communities.

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2014 PERFORMANCE

Financial

Sempra Energy is a Fortune 500 energy services company, based in San Diego, Calif., that combines deep industry expertise with rigorous risk management to deliver superior shareholder returns.

Sempra Energy achieved earnings of \$1.16 billion on revenues of \$11 billion in 2014. As of December 31, 2014, the company's 10-year total shareholder return was 306 percent. In May 2014, the company's share price surpassed \$100 for the first time. For more information on our 2014 financial performance, please see our [annual report](#). Information about the economic value generated and distributed by our company can be found on [page 20](#).

	2012	2013	2014
Consolidated data (dollars in millions, except per-share amounts)			
Revenues	\$9,647	\$10,557	\$11,035
Earnings	\$859	\$1,001	\$1,161
Adjusted earnings*	\$1,073	\$1,043	\$1,182
Earnings per share of common stock:			
Basic	\$3.56	\$4.10	\$4.72
Diluted	\$3.48	\$4.01	\$4.63
Adjusted diluted*	\$4.35	\$4.18	\$4.71
Weighted average number of common shares outstanding (diluted, in millions)	246.7	249.3	250.7
Total assets	\$36,499	\$37,244	\$39,732
Common dividends declared per share	\$2.40	\$2.52	\$2.64
Debt to total capitalization	55%	52%	54%
Book value per share	\$42.43	\$45.03	\$45.98
Capital expenditures & investments	\$3,401	\$2,594	\$3,363

*See [page 64](#) for an explanation of these non-GAAP measures.





2014 PERFORMANCE

Environmental

Our businesses work to minimize their impact on the environment. This includes focusing on reducing our emissions, minimizing our waste, complying with environmental rules and regulations and using water more efficiently.

We also make every effort to protect the biodiversity of the areas where we operate. For example, prior to construction of the Sonora natural gas pipeline in northern Mexico, our Mexican subsidiary IEnova transferred plant specimens away from the impacted area. When the construction is complete and the impacted soils have been reestablished, the plant specimens will be returned to their place of origin. As of December 31, 2014, 13,900 specimens had been protected in this manner.

EMISSIONS

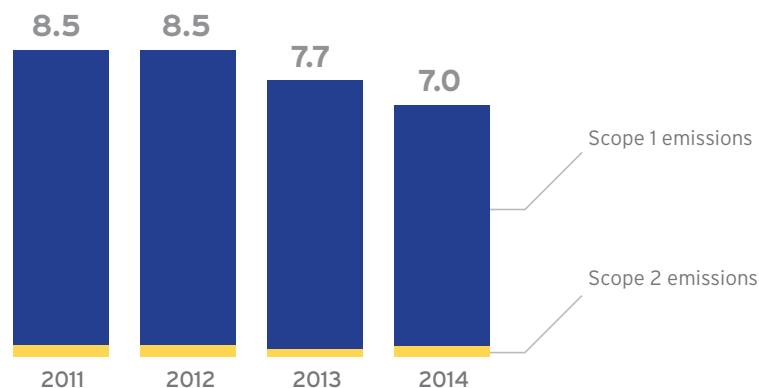
Sempra Energy's businesses may impact the environment directly or indirectly. They operate natural gas-fired power plants and LNG facilities, natural gas pipelines, and electric transmission and distribution lines. Our businesses also purchase electricity generated by other companies to deliver to our customers. And those customers use natural gas in their homes and businesses. All of these activities result in the generation of greenhouse gases.

Our impact is significantly reduced because of our low-carbon business strategy:

- We help our customers use less energy;
- We develop lower-carbon natural gas and zero-carbon (renewable) energy resources; and
- We innovate to find new ways to develop and deliver safe, clean, reliable and affordable energy.

Scope 1 and 2 greenhouse gas emissions^{1,2}

Million metric tons of CO₂ equivalent



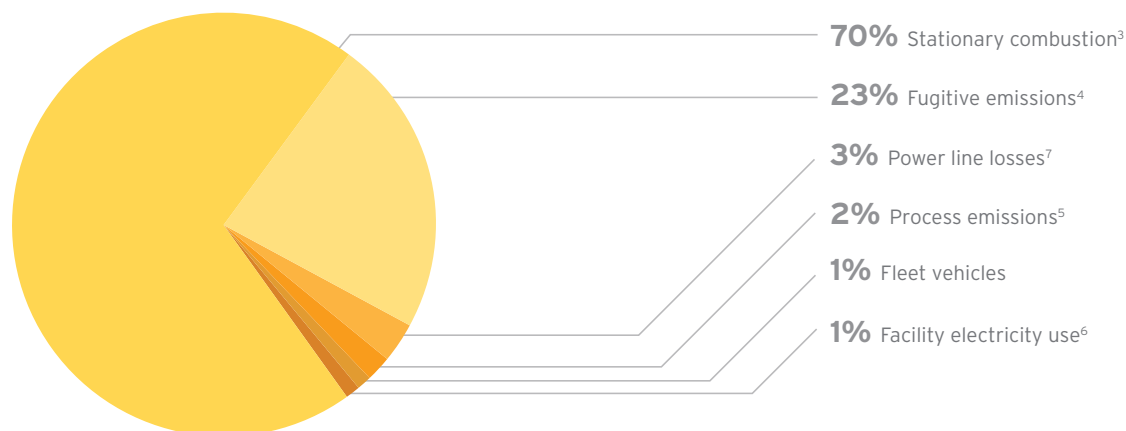
1 Emissions from electric utility Luz del Sur are not included. Only some of the emissions from Cameron LNG and Chilquinta Energía are included. These entities do not currently track all of their emissions.

2 2014 emissions data is unverified and subject to change. 2013 emissions data has been updated following an independent verification.

In 2014, Sempra Energy's reported* scope 1 and scope 2 emissions (see [page 17](#) for definitions) were approximately 7 million metric tons of carbon-dioxide equivalent, also known as CO₂e. This represents a decrease of 9 percent, primarily due to a decrease in stationary combustion emissions because of lower production rates at SDG&E power plants and compressor stations.

At Sempra Energy, we acknowledge that our responsibility for greenhouse gas emissions extends beyond the operations of each of our businesses. In 2014, Sempra Energy's reported* scope 3 emissions (see [page 17](#) for definitions) were approximately 58.9 million metric tons of carbon-dioxide equivalent or CO₂e.

Scope 1 and 2 greenhouse gas emissions by source (2014)^{1,2}



1 Emissions from electric utility Luz del Sur are not included. Only some of the emissions from Cameron LNG and Chilquinta Energía are included. These entities do not currently track all of their emissions.

2 2014 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 physical or chemical processes related to combustion.

6 Emissions from the generation of electricity that we use in our own facilities.

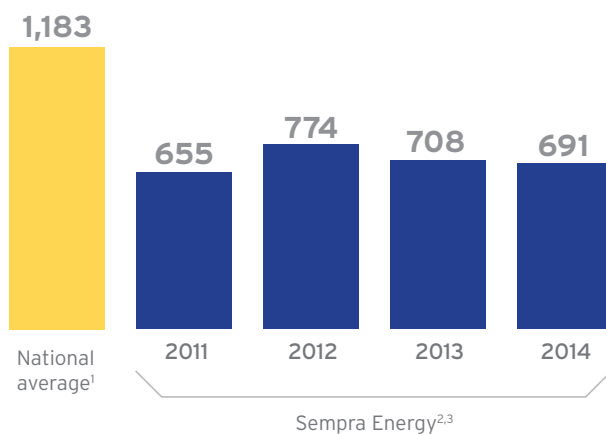
7 Emissions from the generation of electricity that we lose during transmission and distribution.

* Although scope 3 emissions include a wide range of sources, the figure we report includes emissions associated with the generation of electricity that SDG&E purchases for its customers as well as emissions associated with our utility customers' use of the natural gas that we deliver to them.



CO₂ emissions rate

Pounds of CO₂ per megawatt-hour



¹ Source: U.S. Energy Information Administration Electric Power Annual 2013.

² Emissions rate of Sempra-owned generation on an equity share basis. Data from 11-megawatt Chilaquinta Energia peaker plant is not included.

³ 2014 emissions data is unverified and subject to change. 2013 emissions data has been updated following an independent verification.

EMISSIONS TERMS EXPLAINED

The following terms are commonly used to describe a company's greenhouse gas emissions:

- **Scope 1 emissions** - Emissions from sources that are owned or controlled by the reporting company. For Sempra Energy, these include emissions from natural gas-fired power plants, natural gas pipelines and fleet vehicles.
- **Scope 2 emissions** - Emissions emitted by another company to generate electricity, heating/cooling or steam that the reporting company purchases and then uses in its own operations. For Sempra Energy, these include emissions from electricity purchased and used in our own facilities, as well as emissions from the electricity that was purchased for our customers but lost during transmission and distribution.
- **Scope 3 emissions** - Emissions (excluding those in scope 2) that are a result of the reporting company's activity, but that occur at sources owned or controlled by another company. For Sempra Energy, these include emissions from customer use of our products (such as natural gas); emissions from the generation of electricity purchased for and delivered to our customers; and emissions from the production and delivery of the raw materials we need for our business (pipes, wires, meters, office supplies).

These explanations are based on definitions provided in the World Resources Institute's Greenhouse Gas Protocol.

WATER

In 2014, Sempra Energy's reported water withdrawal was 31.4 billion gallons. We returned nearly 90 percent of this water to its source.

The impact of our water use can be best understood by looking at our operations in water-stressed areas. For example, while power generation only accounts for 11 percent of our total water withdrawal, many of our power plants are in areas of water scarcity. We minimize the use of water in power generation by using dry-cooling technology and reclaimed or recycled water (for 65 percent of the natural gas-fueled power we generate) and by using renewable power plants, which use comparatively less water.

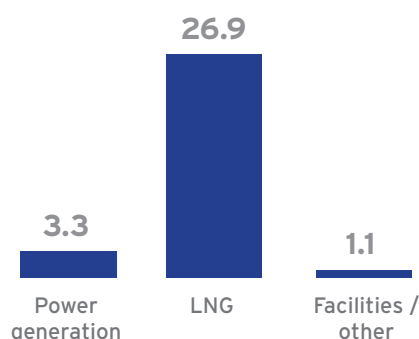
LNG provides another example. Although LNG regasification operations account for 86 percent of our total water withdrawal, these operations do not have a significant impact on water supplies because the vast majority of this water is withdrawn from and returned to the ocean.

More information on water can be found [on page 33](#).



2014 Water withdrawal

Billions of gallons



Note: While we continue to improve data collection related to water use, these numbers do not yet account for all aspects of our operations.

In 2014, our reported water withdrawal was 31.1 billion gallons, and more than 89 percent of this water was returned to its source.

WASTE, RECYCLING & COMPLIANCE

Recycling also helps minimize our impact. In 2014, our businesses diverted 28 million pounds of material from landfills and, as a result, generated more than \$6 million in revenue. Our businesses also generated 1,947 tons of hazardous waste and managed and disposed of it according to applicable laws.

Finally, we work to comply with all applicable environmental laws and regulations. In 2014, our facilities were inspected 443 times with 10 violations. Environmental fines and penalties totaled \$1,810.

More information on environmental compliance can be found on [page 48](#).

	2011	2012	2013	2014
Environmental compliance				
Agency inspections	420	435	395	443
Notices of violation (NOV) ¹	10	11	8	10
Percentage of agency inspections with no NOV issued	98%	97%	98%	98%
Fines and penalties ²	\$28,825	\$18,875	\$1,734	\$1,810
Internal compliance assessments and audits ³	825	835	745	422

¹ Self-reported violations are not included.

² Does not include settlements. 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.

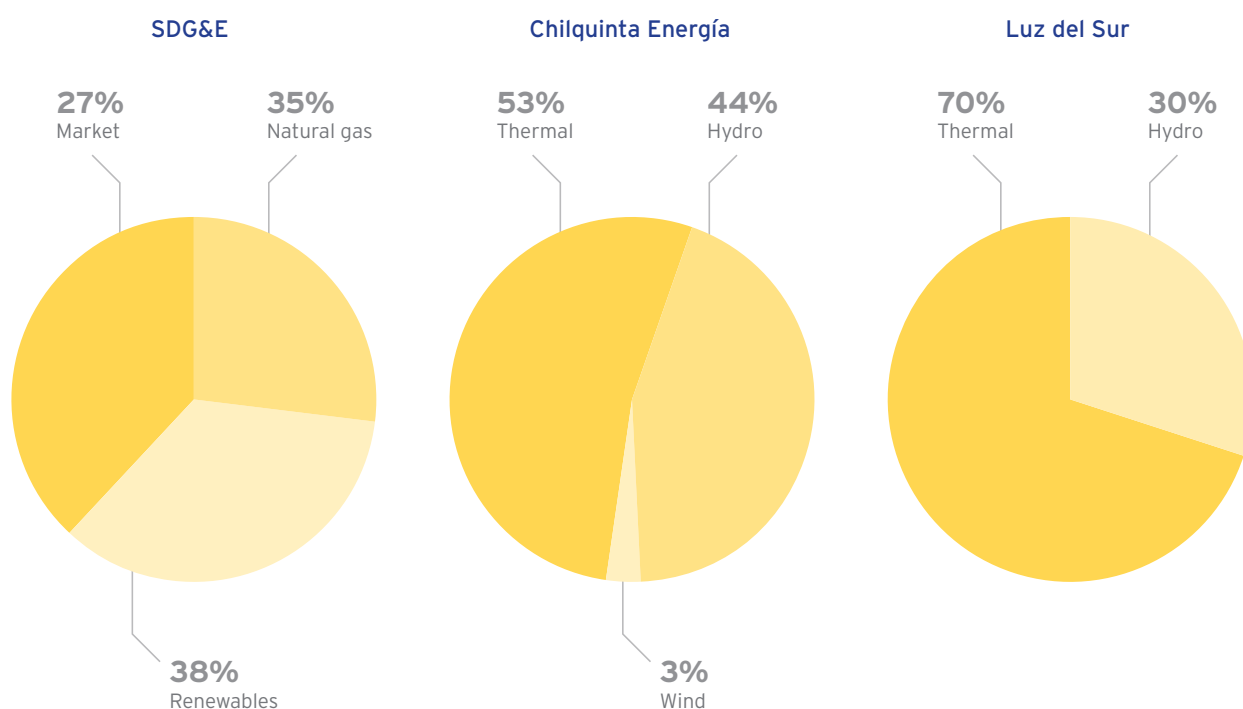
³ The number reported in 2013 was adjusted from 945 to 745 due to a reporting error. Certain audits are now performed on an annual, rather than quarterly, basis.

SUPPLY CHAIN

Sempra Energy's core business is safely delivering electricity and natural gas to our customers. We rely substantially on our supply chain.

For electricity, we operate some generation facilities but procure the majority of the power we deliver to our customers from suppliers: SDG&E purchases 77 percent of the power it delivers; Chilquinta purchases 100 percent and Luz del Sur purchases 100 percent.

Purchased power



For natural gas, our businesses purchase natural gas from specific suppliers (where the source of the gas can be identified) and from supply aggregation points, exchanges and electronic bulletin boards (where it is impossible to identify the precise source of the gas). Given the complexity of the natural gas supply chain, Sempra Energy advocates for a consistent set of standards for all natural gas producers.

In addition to electricity and natural gas suppliers, more than 12,000 companies provide the goods and services needed by Sempra Energy's businesses. An overview of how we select and monitor our suppliers can be found on [page 11](#).

What impact do our suppliers have on the environment where they do business? (For information on how our suppliers impact their communities, see [page 36](#).) And how can Sempra encourage these companies to minimize this impact?

In 2014, we analyzed the supply chain of our two California utilities and our corporate headquarters. We learned which areas - and which suppliers - in these supply chains contribute the most to greenhouse gas emissions, water and waste impacts. We are currently working with these suppliers to determine whether they are aware of the importance of sustainability - and to assess their ability to gather and report key sustainability performance data.

More information on how we manage our supply chain can be found on [page 36](#).



2014 PERFORMANCE

Community

Our businesses work to provide safe, reliable, clean and affordable energy to customers.

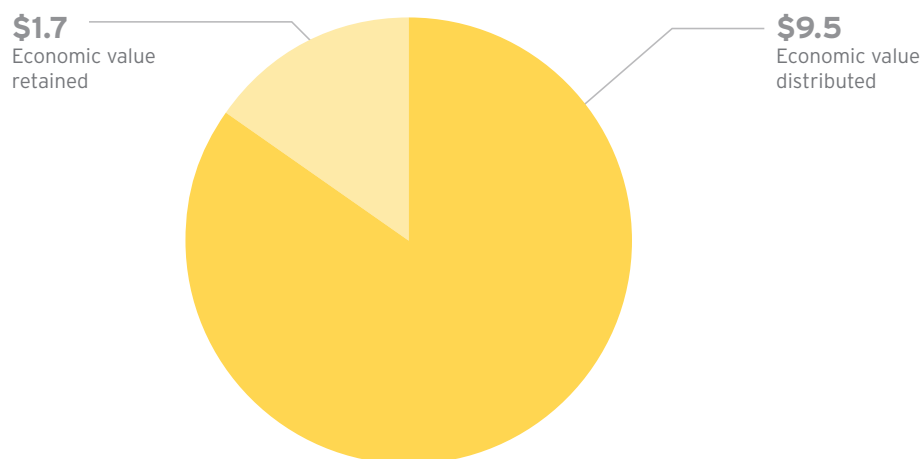
ECONOMIC

In 2014, Sempra Energy and its businesses generated direct economic value of \$11.2 billion.

Eighty-five percent of this amount was paid to, or invested in, the people and communities where we do business:

Economic value retained and distributed

Billions of dollars



- \$5.81 billion in operating costs, including payments to more than 12,000 suppliers;
- \$1.95 billion in wages and benefits to our 17,000 employees;
- \$703 million in dividends to shareholders;
- \$574 million in interest and other payments to financial institutions and other providers of capital;
- \$441 million in payments to governments, including federal, state and local taxes and fees; and
- \$19 million or 1.2 percent of our pretax income, in grants and donations to support more than 2,750 organizations in the communities where we operate.

CUSTOMERS & COMMUNITIES

Providing our customers with affordable, reliable energy is essential. Although our customers want energy when they need it, many would prefer not to see any of the infrastructure (power poles, pipes and wires) that brings that energy to their homes and businesses.

In 2014, community relations and public affairs personnel in Sempra Energy's businesses held thousands of meetings with community members and leaders to learn about their needs and concerns. Our 10 business-unit community advisory councils met with policymakers and business and community leaders to receive business- or project-specific feedback. We also engage with elected officials and regulators as an important, necessary and appropriate part of doing business. More details on our political engagement, including a list of our 2014 contributions, can be found in the [governance section](#) of [sempra.com](#).



With service-oriented roots dating back more than 140 years, we know that listening and responding to customer and community input is essential.

When feasible, we modify plans for our projects or operations based on customer and community feedback. With service-oriented roots dating back more than 140 years, we know that responding to this input is essential.

Our utilities also provide customer assistance programs to help low-income or medically qualified customers pay their energy bills or reduce their energy use.

More information on these programs can be found on the following utility websites: [SDG&E](#), [SoCalGas](#), [Mobile Gas](#), [Willmut Gas](#) and [Luz del Sur](#).

More information on how we are working for fair rates can be found on [page 40](#).

More information on how we are improving energy reliability can be found on [page 43](#).

PUBLIC SAFETY

Protecting the public from dangerous contact with our systems and facilities is very important to us, yet there are inherent risks in the delivery of natural gas and electricity. Although we provide public education and take steps to minimize contacts with our equipment and assets, in 2014, there were 90 injuries and 14 fatalities alleged to involve our business-unit pipes, poles and wires, construction areas, motor vehicles and other facilities.

Public safety-related areas of focus include, but are not limited to: pipeline safety and integrity; wildfire prevention and preparedness; the replacement and upgrade of electrical cables, wires and other equipment, including the installation of smart-grid devices to help us more quickly identify the location of an outage; the assessment and mitigation of vulnerabilities related to deliberate cyber or physical attacks on energy infrastructure; disaster and emergency drills and training, including working with government officials and first responders; and extensive public education.

More information on public safety can be found on [page 45](#).

RELIABILITY

Our utilities work to provide reliable energy to their customers. When interruptions in service occur, they identify the location or source of the outage and work to restore service quickly and safely.

More information on improving energy reliability can be found on [page 43](#).

	SDG&E	Chilquinta Energía	Luz del Sur
Electric reliability performance ¹			
SAIDI ² : Average outage duration (in minutes)	65	541	573
SAIFI ³ : Average number of outages per customer, per year	0.60	3.46	2.98

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.



Our utilities work to operate and maintain vast energy systems to provide consistent and uninterrupted electricity and natural gas service for our customers.



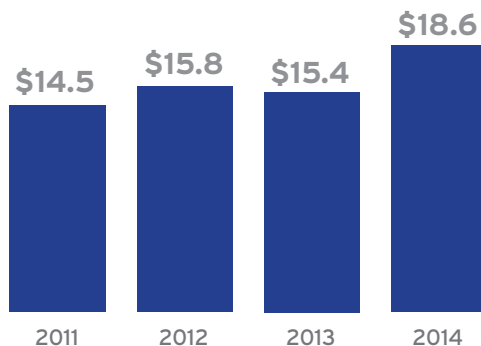
When interruptions in service occur, our utilities identify the location or source of the outage and work to restore service quickly and safely.

PHILANTHROPY & COMMUNITY INVOLVEMENT

In 2014, Sempra Energy and its core businesses made charitable contributions of \$18.6 million, or 1.2 percent of our pretax income. Our areas of focus are: the environment; education and community development; and emergency preparedness, safety and disaster response.

Sempra Energy and Sempra Energy Foundation community giving

Millions of dollars



Contributing time and money to the communities we serve is an important part of our corporate responsibility. As one example, in partnership with Habitat for Humanity, more than 850 employees from across the company spent a collective 12,000 hours of time building a home for a wounded U.S. veteran and family and revitalizing the surrounding neighborhood. Sempra Energy sponsored the project, allowing employees to volunteer during normal working hours.

In 2014, employees reported that they gave \$3.2 million and 20,500 hours to their communities.

Our employees also donate directly to their communities. In 2014, employees gave \$3.2 million and 20,500 hours to their communities. Employee involvement is supported by employee-run organizations like the Sempra Energy Giving Network (SEGN) and the Sempra Energy Foundation's Volunteer Incentive Program. SEGN is a 501(c)(3) nonprofit organization that allows employees to set up direct payroll contributions to charitable organizations. Through the Volunteer Incentive Program, employees who give their personal time to a nonprofit organization or school can request a Foundation grant to support that organization, based on the number of hours volunteered.



In partnership with Habitat for Humanity, more than 850 employees from across the company spent 12,000 hours of time building a home for a wounded U.S. veteran and family and revitalizing the surrounding neighborhood.



2014 PERFORMANCE

Employees

With 17,000 employees, the Sempra Energy companies develop energy infrastructure, operate utilities, and provide related products and services to more than 32 million consumers worldwide.

SAFETY

We maintain a strong culture of safety and are not satisfied unless each employee and contractor returns home safely every day.

In 2014, we achieved strong employee safety performance in terms of our OSHA recordable incident rate and our lost-work-time case rate.

	2011	2012	2013	2014
Safety performance				
Employee work-related fatalities	0	0	1	0
Employee OSHA recordable incident rate ¹	2.42	2.26	2.41	2.41
Employee lost work time case rate ²	0.92	0.86	0.88	0.80

¹ The number of recordable injuries or illnesses per 100 full-time workers.

² The number of lost time cases per 100 full-time workers

For example, our Mobile Gas subsidiary in Alabama achieved a 33-percent reduction in preventable vehicle accidents and a 63-percent reduction in recordable injuries in 2014. The company implemented the “Circle of Safety” into its vehicle safety program: A safety cone is placed in front and to the rear of all parked company vehicles. The company also conducted a “Distracted Driving” Safety Stand Down and assigned the “Alert Driving” defensive driving program to all employees. Additionally, all employees began receiving a safety message every morning in their inbox. And all employees completed the “Safety In Motion” training which is designed to reduce “sprain/strain” types of injuries.

In 2015, we continue working to improve employee and contractor safety across the Sempra Energy businesses.

More information on protecting employee safety can be found on [page 51](#).

DIVERSITY & INCLUSION

At Sempra Energy, we understand that there is strength in diversity. An array of factors influences every person at our company, 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.

	2011	2012	2013	2014
Sempra Energy workforce demographics				
Women:				
Percent of workforce	27	28	29	29
Percent of management	35	32	33	33
Percent of company leadership ¹	26 ²	23	23	25
Ethnic minorities (U.S. workforce):				
Percent of workforce	53	54	56	56
Percent of management	44	45	47	48
Percent of company leadership ¹	22	24	27	27
Workforce diversity (U.S. workforce):				
Hispanic	33	33	34	35
Black	9	9	9	9
Asian	11	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.

² Companywide data not available for 2011 due to acquisitions in that year.

	Sempra U.S. workforce	U.S. utility average ¹
Benchmarking diversity at Sempra's U.S. operations		
Women	31%	26%
Ethnic minorities	56%	25%

¹ Source: U.S. Equal Employment Opportunity Commission: EEO-1:2013.

When we recognize that each employee comes from a unique place - and can contribute in a unique way - we believe stronger business outcomes are the result. More information on our approach to diversity and inclusion, including information on our 13 employee-run local diversity and inclusion councils, can be found in the [diversity section](#) of [sempra.com/about](#).



ENGAGEMENT

Delivering safe, clean, reliable, affordable energy requires significant effort, creativity and care. At Sempra Energy, when our people are trained, challenged and empowered to take initiative, our business thrives.

Every other year, our employees are asked to complete a survey to assess their engagement. The survey is administered by a third party, and aggregated results are shared and discussed across the company (employee confidentiality is maintained).



Employee engagement helps create a culture where employees feel empowered to make decisions and to take the right actions.

Engagement is a combination of satisfaction, advocacy, loyalty and pride. Our most recent survey, completed in 2013, indicated that overall engagement is high, with 84 percent of respondents stating that they “agree” or “strongly agree” with the statement “Overall, I am extremely satisfied with this company as a place to work.” We also learned that our employees are interested in more performance management feedback, and would like more information on the strategic direction of the company. As a result, we piloted a new performance management tool and increased executive engagement with employees.

We will share results of our 2015 survey results in our 2015 corporate responsibility report (to be released in 2016).

HEALTH, WELLNESS, TRAINING & DEVELOPMENT

As a responsible employer, Sempra Energy provides our employees with a range of resources to support a healthy lifestyle. Resources include fitness subsidies and on-site fitness facilities and programs; bicycle commuter-friendly amenities; flexible work schedules (when feasible) and backup dependent care; ergonomics consultations; free on-site flu vaccinations and supplementary physical and mental health programs, such as Best Doctors and the Employee Assistance Program.

Our Professional Development Assistance Program provides up to \$5,250 per year to cover the education expenses of employees working toward a degree or certificate.

Sempra Energy also provides employees with the time, training and resources to enhance their careers at the company. We offer online and in-person courses and encourage managers to work with their direct reports to identify development or career-advancement opportunities. Through our Professional Development Assistance Program, we provide up to \$5,250 per year to cover the education expenses of employees working toward a degree or certificate. More than 600 employees participated in this program in 2014.



2014 PERFORMANCE

Performance data table

This data represents our business, environment, workplace, supplier and community performance over the last 4 years.

Performance data	2011	2012 ¹	2013 ¹	2014 ¹
Our business				
Revenues (millions of dollars)	10,036	9,647	10,557	11,035
Earning (millions of dollars)	1,331	859	1,001	1,161
Earnings per diluted share (dollars)	5.512	3.48	4.01	4.63
Total assets (millions of dollars)	33,249	36,499	37,244	39,732
Number of board directors	12	10	13	13
Number of independent board directors	10	9	12	12
Independent board directors who are women or minorities (% of independent directors)	50	44	50	50
Ethics and compliance helpline calls	155	132	167	202
Our environment				
Renewable energy deliveries (% of previous year total sales) ³	20.8	20.3	23.6	31.9
Agency inspections	420	435	395	443
Notices of violation (NOV) ⁴	10	11	8	10
Inspections with no NOV issues (% of total inspections)	98	97	98	98
Fines and penalties (dollars) ⁵	28,825	18,875	1,734	1,810
Internal compliance assessments and audits ⁶	825	835	745	422
Scope 1 greenhouse gas emissions (million metric tons CO ₂ e)	8.2	8.2	7.57	6.78
Scope 2 greenhouse gas emissions (million metric tons CO ₂ e)	0.32	0.319	0.226 ⁷	0.298 ⁸
Scope 3 greenhouse gas emissions from SDG&E purchased power (million metric tons CO ₂ e)	4.8	3.8	2.97	2.98



Performance data	2011	2012 ¹	2013 ¹	2014 ¹
CO ₂ emissions rate for power generation (lbs CO ₂ /megawatt-hour) ⁹	655	774	708 ⁷	691 ⁸
NO _x emissions from power generation (tons)	465	494	464	388
NO _x emissions rate from power generation (lbs/megawatt-hour) ¹⁰	0.05	0.06	0.06	0.05
SO ₂ emissions from power generation (tons)	32	31	21	16
SO ₂ emissions rate from power generation (lbs/megawatt-hour) ¹⁰	0.003	0.004	0.003	0.002
Total water withdrawal (billions of gallons) ¹¹	29.4	30.7	31.9	31.4
Returned water (billions of gallons) ¹¹	24.7	27.4	28.7	28.2
Hazardous waste (tons) ¹²	8,625	2,383	2,901	1,947
Our workplace, suppliers and communities				
Number of employees	17,500	16,900	17,100	17,000
Employee work-related fatalities	0	0	1	0
Recordable injury case rate (per 100 full-time workers)	2.42	2.26	2.41	2.41
Employee lost work time case rate (per 100 full-time workers)	0.92	0.86	0.88	0.80
Women in workforce (% of total workforce)	27	28	29	29
Women in management (% of management employees)	35	32	33	33
Ethnic minorities in workforce (% of U.S. employees)	53	54	56	56
Ethnic minorities in management (% of U.S. management)	44	45	47	48
Spending with diverse business enterprises (% of total spending) ¹³	38	38	45	46
Sempra Energy and Sempra Energy Foundation giving (millions of dollars)	14.5	15.8	15.4	18.6

1 Except where noted, 2012-2014 data includes 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 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.

6 2013 number revised to 745 due to a reporting error. Certain audits are now performed on an annual, rather than quarterly, basis.

7 2013 greenhouse gas emissions data have been updated following an independent verification of the data.

8 2014 greenhouse gas emissions data are unverified and subject to change.

9 Emissions rate from power generation on an equity-share basis. Data from Chilquinta Energía's 11-megawatt peaker plant is not included.

10 Emissions rate from power generation on an equity-share basis.

11 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.

12 Year-to-year variation in amount of hazardous waste is due to variation in remediation activity.

13 Reflects spending on diverse business enterprises at SDG&E and SoCalGas only.





2014 PERFORMANCE

Goals and results

This table shows the progress we made in 2014, and where we're headed in 2015.

◆ Met ◆ Partly/in progress ◆ Did not meet

2014 Goals ¹	2014 Results	2015 Goals
Emissions reduction		
Decrease our CO ₂ emissions rate by at least 10 percent by 2016 compared to a 2010 baseline	◆ Decreased rate by 5 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 25 percent of customers' electricity from renewable sources of energy by 2016 and 33 percent by 2020 (SDG&E)	◆ Provided 31.9 percent² from renewable sources of energy	Provide an average of 33 percent of customers' electricity from renewable sources of energy by 2020
Invest in 2,028 megawatts of renewable power by 2018 (Semptra U.S. Gas & Power)	◆ Increased investment by 185 megawatts in 2014, bringing Semptra U.S. Gas & Power's jointly-owned operating renewables portfolio to 1,567 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: ◆ 225 gigawatt-hours ◆ 34 megawatts ◆ 841,363 therms	Achieve the following, through customer energy efficiency programs: 212 gigawatt-hours in energy savings 41 megawatts of demand reduction 2.2 million therms of natural gas saved
Achieve the following, through customer energy efficiency programs (SoCalGas): 23.2 million therms of natural gas saved	Saved: ◆ 27.1 million therms	Achieve the following, through customer energy efficiency programs: 25.3 million therms of natural gas saved



2014 Goals ¹	2014 Results	2015 Goals
Reduce facility electricity consumption 20 percent by 2015 compared to a 2003 baseline (SDG&E)	◆ Reduced consumption 28 percent	New targets being established
Reduce facility electricity consumption 10 percent by 2014 compared to a 2003 baseline (SoCalGas)	◆ Reduced consumption 10 percent	Reduce facility electricity consumption 5 percent by 2015 compared to a 2003 baseline
Water consumption		
Reduce employee-occupied facility water consumption 5 percent by 2015 compared to a 2010 baseline (SDG&E)	◆ Consumption increased 18 percent ³	Reduce employee-occupied facility water consumption 20 percent compared to a 2010 baseline
Reduce employee-occupied facility water consumption 5 percent in 2014 compared to a 2007 baseline (SoCalGas)	◆ Reduced consumption 7 percent	Reduce employee-occupied facility water consumption 5 percent in 2015 compared to a 2007 baseline
Planning for the future		
Install 6 million natural gas smart meters by 2017 (SoCalGas)	◆ Installed 2.9 million meters	Install 6 million natural gas smart meters by 2017
Safety		
Achieve a consolidated recordable incident rate ⁴ of 2.51 cases per 100 full-time workers	◆ Achieved rate ⁴ of 2.14 cases	Achieve a consolidated recordable incident rate ⁴ of 2.38 cases per 100 full-time workers
Electric reliability		
Limit average duration of electricity outages (SAIDI) to: 63 minutes (SDG&E) 564 minutes (Chilquinta Energía) 390 minutes (Luz del Sur)	◆ 65 minutes ◆ 541 minutes ◆ 573 minutes	Limit average duration of electricity outages (SAIDI) to: 62 minutes 553 minutes 390 minutes
Limit average number of electricity outages (SAIFI) to: 0.57 outages (SDG&E) 5.21 outages (Chilquinta Energía) 3.00 outages (Luz del Sur)	◆ 0.60 outages ◆ 3.46 outages ◆ 2.98 outages	Limit average number of electricity outages (SAIFI) to: 0.55 outages 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 77 percent	Enroll 90 percent of eligible customers in California Alternate Rates for Energy program
Enroll 90 percent of eligible customers in California Alternate Rates for Energy program (SoCalGas)	◆ Enrolled 82.6 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 22,039 homes	Weatherize 20,316 homes through the Energy Savings Assistance Program
Weatherize 136,836 homes through the Energy Savings Assistance Program (SoCalGas)	◆ Weatherized 92,967 homes	Weatherize 136,836 homes through the Energy Savings Assistance Program

◆ Met ◆ Partly/in progress ◆ Did not meet

2014 Goals¹

2014 Results

2015 Goals

Diverse Business Enterprises (DBEs)		
Achieve 40 percent in spending with diverse business enterprises (DBEs) (SDG&E)	◆ Achieved 44.44 percent	Achieve 40 percent in spending with diverse business enterprises (DBEs)
Achieve at least 35 percent in spending with diverse business enterprises (DBEs) (SoCalGas)	◆ Achieved 48.42 percent	Achieve at least 38 percent in spending with diverse business enterprises (DBEs)
Philanthropy		
Contribute 1 percent of annual pretax income to our communities	◆ Contributed 1.2 percent	Continue to 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	◆ Contributed 75.5 percent to underserved and communities of color	Continue to provide 65 percent of Sempra Energy's philanthropic contributions in California to underserved and communities of color

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 Lower rainfall, which necessitated the use of additional water for landscaping, and increased construction activity contributed to this increase.

⁴ 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.





Key topics

Which topics are particularly important to Sempra Energy and the energy industry? And how is our management working to address them?

Our 2014 materiality assessment identified the following topics: business ethics, public safety, employee safety, energy reliability, fair rates and regulatory compliance. We include four additional topics (climate change, water, supply chain and our future) based on their significance to the energy industry.

Each key topic includes a brief introduction followed by an in-depth interview with a company leader.

Minimizing water use	33
Building a strong supply chain	36
Addressing climate change	38
Working for fair rates	40
Improving energy reliability	43
Ensuring system safety	45
Complying with regulations	48
Protecting employee safety	51
Behaving ethically	55
Planning for the future	58



ENVIRONMENT KEY TOPIC

Minimizing water use

Energy and water are connected. Energy is used to pump water to where it is needed. And water helps cool power plants that produce energy. Reliable access to clean water is an area of increasing concern for many of the customers and communities we serve. At Sempra Energy, we work to minimize our impact on water supplies through the use of water-saving technologies. We also use reclaimed or recycled water when possible.

A description of how we identified our 10 key topics is on [page 62](#).

Leadership Q&A

Michael M. Schneider Vice President Operations Support and Chief Environmental Officer, SoCalGas and SDG&E

Q California is in the midst of a serious drought. Natural gas power plants require significant amounts of water for cooling. What is SDG&E doing to lower its water use?

A In the last 10 years, we've saved hundreds of millions of gallons of water at our electric substations and other facilities. But we've got to keep doing more.

In terms of our power plants, Palomar (an SDG&E-operated power plant in Escondido, Calif.) uses reclaimed water, which is wastewater that has been treated, for cooling. Desert Star (an SDG&E-operated power plant near Boulder City, Nev.) uses dry-cooling – it uses 90-percent less water than a traditional power plant would. And it's no accident that these facilities are designed to use very little water. That's our approach across the entire company: What are the risks of something like a long-lasting drought and how do we make sure we are resilient?

Last year, when California Gov. Jerry Brown issued his initial water challenge on California's drought, we took action.

We installed drought-tolerant landscaping at Century Park, a large office complex in San Diego. We hope that this campus can be a beacon to the community, signaling what is possible: You can have beautiful, vibrant landscaping that also uses very little water. We're also doing the same thing in SoCalGas' service territory: We have five facilities where we're currently putting in drought-tolerant landscaping, and we're looking at six more. We recognize that both SDG&E and SoCalGas are large, highly visible companies with an important leadership role to play, and so we're leading by example.

Q What are some areas where SDG&E and SoCalGas could be doing more to save water?

A We'd really like to use a lot more recycled water for construction projects. The challenge is that there are regulations in place that can make this very difficult. For example, you can't bring recycled water across



certain jurisdictional lines because there can be concerns about (things like), “Where did that water come from?” and “Could it have been put to better use locally?” without needing to truck it out to our construction site. Now if we can’t bring in recycled water, then our option is to use local municipal supplies. And that’s not the best outcome. So we’re working with regulatory agencies to update the conditions we need to meet to get recycled water-use permits.

Another place where we can do more is in terms of our partnerships. Where are the areas where we can share ideas and inspire others? How can we leverage what we – and others – have learned? For example, think of all the work we’ve done over the years in terms of energy efficiency with [SDG&E](#) and [SoCalGas](#). Today, an SDG&E customer can use the data from their advanced meter to figure out which appliance in their home is using the most electricity. Now why couldn’t we form partnerships with California water agencies to expand this concept to water efficiency – give water customers that same type of information on their water use? Think about the impact that could have on water conservation!

At SoCalGas, we use water to test our pipes – it’s called hydrostatic testing. Each year, we use between 6 million and 8 million gallons of water and we have developed sustainable practices to recycle the water used. After we use the water, we reuse it again until it is no longer needed. Once we’re done with it, the question is, “Can we find a good use for it?” What we have been doing is looking for opportunities to donate it to either a community partner or business that could put the water to good and appropriate use. Since 2013, more than 2 million gallons of hydrostatic test water has been reused for dust control, compaction and replenishing golf courses. It’s about the complete water cycle.

“There’s a huge overlap between water and energy in California. So, when customers use less water, it helps on the energy side. And when they use less energy, it helps with water.”

Michael M. Schneider Vice President Operations Support
and Chief Environmental Officer, SoCalGas and SDG&E



Company volunteers improve a community by installing drought-tolerant landscaping.

Q What can customers do to help with water conservation?

A They can recognize that they've been saving energy for years and apply that same way of thinking to water. They can also keep working to reduce their energy use.

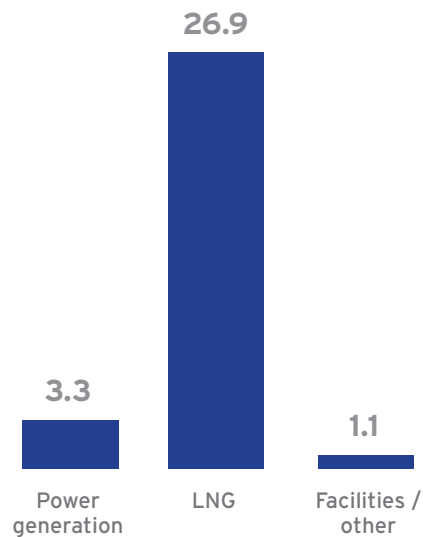
There's a huge overlap between water and energy in California. About 20 percent of our electricity is used to deliver water. We also use a significant percentage of our water in the generation of energy. So, when customers use less water, it also helps on the energy side. And when they use less energy, it helps with water.

Let me give you an example. There is going to be a water desalination plant opening in Carlsbad (in northern San Diego County). That plant is going to use a lot of energy. So we have a program at SDG&E to get customers throughout our service territory to increase energy efficiency by an additional 20 percent. If we can do that, there won't be the need to add energy generation capacity to support the desalination plant.

Related performance data

2014 Water withdrawal

Billions of gallons



Note: While we continue to improve data collection related to water use, these numbers do not yet account for all aspects of our operations.





ENVIRONMENT KEY TOPIC

Building a strong supply chain

Sempra Energy's businesses procure the majority of the energy they deliver to customers from suppliers. Suppliers also provide the goods and services needed to build, manage and maintain energy infrastructure, facilities and offices.

We work to manage risk in our supply chain by contracting with a diverse set of suppliers and by monitoring their performance. And we are working to better understand the impact our suppliers have on the environment and communities where they do business.

A description of how we identified our 10 key topics is on [page 62](#). To read about the impacts of our supply chain, see [page 19](#). We describe how we select and monitor suppliers on [page 11](#).

Leadership Q&A

Denita Willoughby Vice President, Supply Management and Logistics, SoCalGas and SDG&E

Q How many suppliers do you work with and approximately how much do you spend?

A When you combine both California utilities, we work with more than 6,000 suppliers representing more than \$2 billion in procurement spending.

Q The abundance of affordable natural gas is certainly a positive development for a wide range of reasons. But there are also concerns about possible negative impacts. As the largest natural gas distribution utility in the United States, how can SoCalGas influence the companies that supply natural gas? What is SoCalGas doing to ensure that gas in the United States is extracted responsibly?

A SoCalGas is working with industry organizations for the establishment and enforcement of a consistent set of standards to protect consumers, the environment and the energy industry. To support this commitment, we've established companywide policies on climate change, biodiversity, hydraulic fracturing and water. In the future, we expect that sustainability practices will become even more prevalent in the energy industry, including with companies that produce natural gas.

“SoCalGas is working with industry organizations for the establishment and enforcement of a consistent set of standards to protect consumers, the environment and the energy industry.”

Denita Willoughby Vice President, Supply Management and Logistics,
SoCalGas and SDG&E



Q How does the company ensure that its standards for ethics, safety and good working conditions extend to the thousands of companies that supply us with goods or services?

A We look at past and current safety performance, previous work history with our company, and the strength of their plans and procedures. Where warranted, we also look at active projects to make sure they're implementing their programs consistently.

Of course we also expect our suppliers to conduct their business activities in accordance with all applicable rules and regulations, to know and understand the environmental issues associated with the production of goods and services they provide, to adhere to certain behavioral standards, and to practice appropriate accounting and internal controls.

Q Keeping projects on time and on budget depends on a wide range of factors - can you talk about how you identify suppliers (materials, labor or services) in a way that minimizes risk and helps us meet project deadlines?

A During the sourcing process, suppliers are evaluated on their proposed schedules and projected costs - and on their history of meeting those goals. Our supply management team negotiates competitive rates upfront and they develop project schedules that take into consideration how critical it is that a project be completed according to a specific time frame.

Then, once we've entered into an agreement with a supplier, we work with them at Supplier Relationship Management meetings so that they stay within budget and on schedule. It's a pretty focused process.

Q Can you tell us about the supply chain modeling effort that took place in 2014? What did you learn?

A From the big-picture perspective, we basically were able to identify which suppliers have significant emissions, water or waste impacts. The next step is to work with these suppliers to help them reduce these impacts. The key thing about this study was that it enabled us to focus. With more than 6,000 suppliers at our California utilities, we need to be strategic in where we spend our time and energy.

Our initial efforts have included surveying these key suppliers to gauge their knowledge of sustainability and their capability for reporting established sustainability metrics.



Our supply chain includes companies that provide trained professionals to prune trees near power lines. We expect our suppliers to comply with all applicable rules and regulations.



ENVIRONMENT KEY TOPIC

Addressing climate change

Sempra Energy's businesses may impact the environment directly or indirectly. They operate natural gas-fired power plants and LNG facilities, natural gas pipelines, and electric transmission and distribution lines. They also purchase electricity generated by other companies to deliver to their customers. And those customers use natural gas in their homes and businesses. All of these activities result in the generation of greenhouse gases. Details of our 2014 emissions can be found on [pages 15-17](#).

We work to reduce our emissions and our impact, in alignment with our low-carbon business strategy:

- We help our customers use less energy;
- We develop lower-carbon natural gas and zero-carbon (renewable) energy resources; and
- We innovate to find new ways to develop and deliver safe, clean, reliable and affordable energy.

A description of how we identified our 10 key topics is on [page 62](#). Our target for reducing our greenhouse gas emissions rate is on [page 29](#).

Leadership Q&A

Kevin Sagara Senior Vice President and President, Renewables, Sempra U.S. Gas & Power

Q The energy industry is a significant source of greenhouse gas emissions. What is Sempra Energy doing about this?

A Renewables will continue to grow as a percentage of total demand. With Sempra Energy's low-carbon business model, we're taking a measured and responsible approach to preparing for this possibility. With our focus on energy efficiency, we're helping our customers use less. With our focus on natural gas, including natural gas-fired power plants, we're helping to ensure a reliable supply of electricity and a resilient electrical grid. And with our focus on renewable energy and innovation, we're developing areas of our business that could become more important in a renewable-focused future that could be defined by significant and rapid technological change.

We've got to be careful about being prepared for potential changes in our industry – and we've got to have a good sense for how fast these changes might impact us.





Through energy efficiency programs, we help our customers use less energy, reducing greenhouse gas emissions.



We include emissions from our utility customers' use of natural gas in our greenhouse gas emissions reporting.

Q What sort of technological changes might impact our industry?

A In the past 100 years, we've gone from the Model T to the Model S (Tesla's all-electric sports sedan) – and from Kitty Hawk to the Space Shuttle. Think about the magnitude of that innovation.

One area where technology could have a significant impact on the energy industry is in batteries. If you look at the amount of money major companies are spending on battery R&D (research and development), there is the potential for significant change in terms of the amount of power you can store efficiently. And once that happens, we could have a distributed energy model that uses solar plus batteries. Many of the investments we're making today – combined with a very strong focus on innovation across our company – are helping prepare us for this possibility.

“One area where technology could have a significant impact on the energy industry is in batteries. There is the potential for significant change in terms of the amount of power you can store efficiently.”

Kevin Sagara Senior Vice President and President, Renewables,
Sempra U.S. Gas & Power



Q How would this solar-plus-batteries future align with our company's investments in LNG infrastructure?

A Demand for both natural gas and LNG is unlikely to significantly change for quite some time. And natural gas and LNG play an important role in Sempra Energy's measured and balanced approach.

Natural gas-fired power plants ensure a reliable supply of electricity and a resilient electrical grid. And by making LNG available to international markets, we are enabling some countries to transition from coal or oil-based economies to natural gas. Think about the environmental impact of that!

Q Anything you'd like to add?

A I'm just incredibly enthusiastic about renewables at Sempra Energy. I have had many different roles here, but my current job leading the renewables group has been the most gratifying from a personal and professional standpoint. It has become increasingly important to me that we're doing the right thing for the environment and for future generations. In 2014, our (Sempra U.S. Gas & Power's) renewable projects produced zero-emissions energy equal to removing over 700,000 gasoline-fueled cars from the road. We're making a big impact, and we're poised to increase that impact in the coming years.





COMMUNITIES KEY TOPIC

Working for fair rates

Most energy utilities operate as regulated businesses: public agencies (such as the California Public Utilities Commission) make the rules that determine how they procure, provide and price the power they deliver to their customers.

Our utility customers want energy that is safe, reliable and clean. We must work with regulators to ensure that we can provide this power at fair and reasonable prices.

A description of how we identified our 10 key topics is on [page 62](#). Community performance data is on [pages 20-23](#).

Leadership Q&A

Caroline Winn Chief Energy Delivery Officer, SDG&E

Q Some SDG&E customers are pretty frustrated that they have to pay high rates. Are things going to change?

A The passage of state law AB 327 gave rate design authority back to the CPUC (California Public Utilities Commission) and gave California utilities the opportunity to plan for the sort of transformational change that we know is coming. At SDG&E we've been a strong supporter of an electric rate design that provides fairness, transparency and encourages conservation. The recent unanimous decision by the CPUC is a step in the right direction and a dramatic improvement over our current rate structure. (Note: The CPUC decision mentioned occurred in 2015.)



Customers can save as much as 10% a year on heating and cooling by adjusting their thermostat settings 7°-10°F from normal for eight hours a day.



Installing weather stripping is another way customers can reduce their energy use.

Q What do you mean by “fairness” in terms of rates? How would you define that?

A Today, about three out of every 10 customers are paying significantly (75 percent) more than they should for electricity. Conversely, seven out of every 10 customers have been heavily subsidized for over a decade and have been paying less than the actual cost to serve them – a result of legislation that was passed during the energy crisis in 2001. This has caused imbalance and unfairness in how electricity is priced for hundreds of thousands of San Diegans – especially customers who live inland and need air conditioning during the summer months. I can understand why these customers are frustrated and I hear from many of them.

After significant review, the CPUC reached a unanimous decision on rate reform. This decision is a step in the right direction and a dramatic improvement over our current rate structure. The new rate structure helps to bring residential rates closer to the actual cost of providing reliable electricity service.

“Our new rate structure helps to bring residential rates closer to the actual cost of providing reliable electricity service.”

Caroline Winn Chief Energy Delivery Officer, SDG&E



Advanced meters give customers the information they need to better manage their consumption and costs.

Q Some school districts in SDG&E’s service territory are pretty upset because they tried to “go green” a few years ago and installed solar panels. Now they say electricity rate increases are going to cost them millions more every year. How did this happen?

A Public schools have a special place in my heart. My daughter goes to a public school, and I know that the work they do is so critical to the future. They’re a customer segment that can’t raise their prices and can’t shift their hours (of operation).

Two things happened to make it tough for schools. First, multiple rate increases over the past several years have affected all of our business customers, including schools. These increases were due to CPUC-approved programs or decisions and equated to a more than 30-percent increase over the past several years. Second, there was a shift in peak demand and the associated higher prices of energy in our service territory: It used to be 11 a.m. to 6 p.m. but now it’s 2 p.m. to 9 p.m. This change affects a few schools that have solar systems that

generate more electricity than they're consuming - meaning they are selling back energy into the grid. So the price of energy that is sold back during the day will be valued lower because most of it will no longer be in the higher priced "on-peak" hours. That can have a significant impact on their bottom line.

Recognizing the special needs and circumstances with public schools, we continue to work with them to help find solutions.

Q What are some areas where new technologies are creating opportunities for customers?

A Advanced meters allow for a different and more engaged relationship with customers by providing them with near real-time information. One such offer is time-of-use pricing that allows customers the choice to manage their energy use and save money by choosing to use electricity off-peak, for example, charging their electric vehicle in the middle of the night. I just bought an EV and it is going to save me money on my energy bill by switching to time-of-use pricing.

We're also using technology to engage with our customers. We have over 25,000 followers on Twitter and respond to 85 percent of their tweets within one hour. We also have a one-stop shop where, when customers move, they can set up all their services: Internet, cable, phone and energy all at once in a single phone call.

We even have a rewards program: Our customers gain points by engaging with us such as when they sign up for our weekly e-mails or text message alerts from us; when they go paperless with their billing; or when they perform a free online energy audit, for example. These points can then be redeemed for gift cards to local retailers. I had a recent experience when I was speaking at a community forum with a group of customers about the recent rate increases, and this man in the front row looked agitated and was raising his hand to ask a question. It turned out that he just wanted to thank me for the \$5 gift card he had gotten through the rewards program. It's really neat to see that when we create these new ways for customers to interact with us, it can really improve our customer relationships.



COMMUNITIES KEY TOPIC

Improving energy reliability

Our utility businesses work hard to provide consistent and uninterrupted electricity and natural gas service to their customers. When service interruptions do occur, they identify the location or source of the outage and work to restore service quickly and safely.

A description of how we identified our 10 key topics is on [page 62](#).

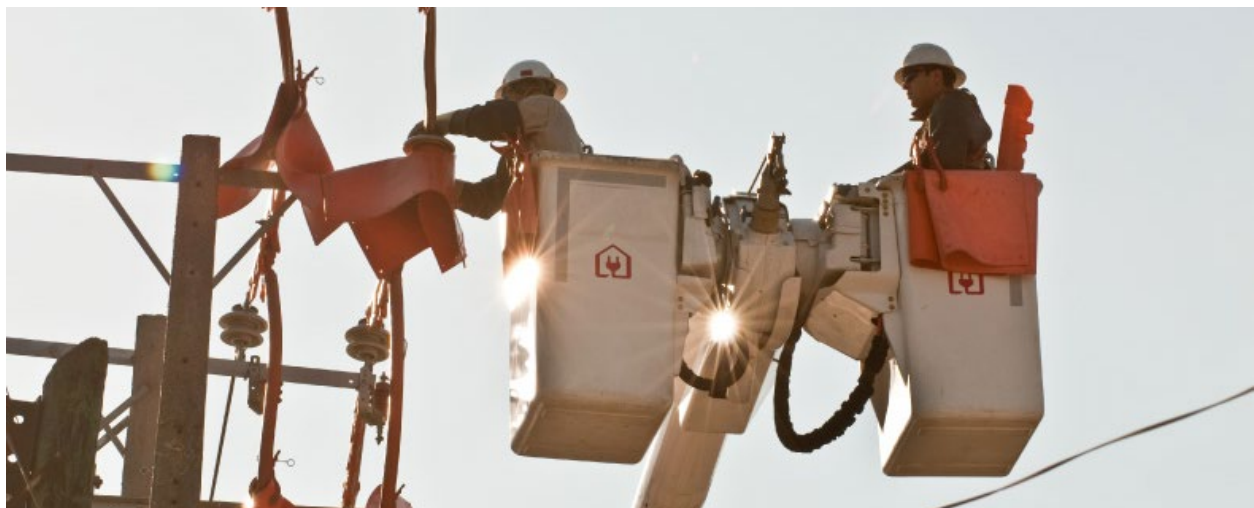
Leadership Q&A

Francisco Mualim CEO, Chilquinta Energía

Q What are the specific reliability challenges that Chilquinta faces? What are the most common causes of service interruptions in Chile?

A Providing safe and reliable electricity to customers is our focus. Overall, for our region, our reliability performance is strong. In fact, for the last four years Chilquinta has placed first on the Superintendency of Electricity and Fuels ranking (Superintendencia de Electricidad y Combustibles) for utilities with more than 120,000 customers. This ranking takes into account both service reliability and customer service performance.

Weather is often a factor when we have an outage; high winds are common in our service territory and can cause tree limbs to fall on power lines. We also have a high rate of vehicle contacts with electricity poles, approximately two per day. These incidents also cause outages.



Q Chilquinta is growing at a pretty steady rate. How does this affect reliability?

A Due to the growth within our service territory, there is an increased need for electricity service. We are growing at about 5 percent a year, so there are sometimes planned outages that occur for construction and other projects related to our growth. We carefully plan for these outages and communicate with our customers well in advance to minimize any impacts.

To account for these new customers and improve our reliability, we have completed several upgrades to our system. Over the last three years we increased the capacity at four substations, constructed two new substations and added 37 miles of transmission lines.

Q What are you doing, beyond adding more system capacity, to improve reliability?

A We are implementing a GIS (geographic information system)-based vegetation management (tree-trimming) program that helps us identify what sort of maintenance we need to do on the many different tree species in our service territory. This system will allow us to be more strategic in our efforts and also will reduce the chance that a tree will impact our power lines during a storm.

Given the high number of vehicle contacts with electric poles, we also have an ongoing communications effort that alerts the public to the risks and impacts of running into a power pole. These incidents can be very dangerous for drivers and passengers and can have a significant impact on our systems. We will continue providing reminders about safe driving and hope this helps reduce the number of incidents.

“Once an outage occurs, safety comes first. Our first step is to identify the source or cause of an outage and manage any immediate safety concerns. We then develop a plan to restore power.”

Francisco Mualim CEO, Chilquinta Energía



Q When an outage does occur, what is the first thing you do?

A We make sure our crews are distributed evenly across our service territory, so that they are able to access any site within an hour. Being prepared is probably the first step.

But once an outage occurs, safety comes first. Our first step is to identify the source or cause of an outage and manage any immediate safety concerns. We then develop a plan to restore power. This may include supplying electricity through a different circuit. We are in the process of incorporating 290 automatic circuit reclosers. Once these are installed, this will help to improve service continuity by preventing outages in the first place.

Q Chilquinta relies heavily on hydro-electric power. Do periodic drought conditions affect your ability to provide customers with reliable energy?

A In general, Chile has more than enough hydro-electric power capacity to meet peak demand. But even if there were a situation where there was not adequate hydro-electric power, we would still get electricity from our energy suppliers who can provide energy from different types of generation resources.

Related performance data

SDG&E

Chilquinta
Energía

Luz del Sur

Electric reliability performance ¹			
SAIDI ² : Average outage duration (in minutes)	65	541	573
SAIFI ³ : Average number of outages per customer, per year	0.60	3.46	2.98

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.



COMMUNITIES KEY TOPIC

Ensuring system safety

At Sempra Energy, our top priority is safety. Nothing is more important to us than keeping our employees and customers safe. Business-unit operations, as well as infrastructure that we operate with our partners, include seven energy utilities; two liquefied natural gas receipt terminals; 124,067 miles of natural gas pipeline and 48,346 miles of electric transmission and distribution lines; six underground natural gas storage facilities; five natural gas-fired power plants; 689 wind turbines; and 4,255 acres of photovoltaic solar facilities.

Our businesses 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.

Protecting the public from dangerous contact with our systems and facilities is a continuous challenge: We do not control the actions of third parties, which may place them in such contact.

Safety-related areas include: pipeline integrity; wildfire prevention and preparedness; the replacement and upgrade of electrical cables, wires and other equipment, including the installation of smart-grid devices to help us more quickly identify the location of an outage; the assessment and mitigation of vulnerabilities related to deliberate cyber or physical attacks on energy infrastructure; disaster and emergency drills and training, including working with government officials and first responders; and extensive public education.

A description of how we identified our 10 key topics is on [page 62](#). A description of our compliance management systems is on [page 10](#). Performance data related to public safety can be found on [page 21](#).

Leadership Q&A

Bret Lane COO, SoCalGas

Q What is the No. 1 thing customers can do to help ensure the safety of the natural gas system?

A If you think you smell gas at any time, especially inside your home, don't try to analyze it, don't use your cell phone in the home, and don't turn light switches on or off. Just call us. We'll come out and assess the situation.

In addition to being alert, the greatest threat – and the greatest sources of damages to our system are third parties: (for example) a contractor digging up the street. So the other way customers can help is to call 8-1-1 before they dig. If you're having a contractor work on your property, ask them if they've called 8-1-1. It's a one-stop shop: we'll come out and mark where the gas lines are; the electric utility will mark the electric lines; the water company will mark the water pipes.

Q How frequently are SoCalGas pipelines inspected?

A With the larger-diameter, higher-pressure type of pipe, we're generally inspecting it twice a year. For pipeline that is in the street near gathering areas like hospitals and schools, once a year – for pipeline in a more general suburban area, a little less often than that.

But those are just approximations. We know our system well, so we have detailed specifications on pipeline throughout it. We understand what kind of pipe it is. We know where it was manufactured and when; how was it installed and when. We know what the soil is like in the area where it was installed and what's been happening in the area around the pipe. And we know how we have been using the pipe.

We take all this data and feed it into a set of risk algorithms which help us determine which pipe we're going to target as high priority for inspection or replacement. By taking all of these statistics and doing some heavy data analytics, pipeline safety becomes more predictive.

Q What happens when a pipe has a leak?

A Our first priority is to make the area safe for the customers and public. We then determine the source of the leak, and repair or replace the pipe as needed. If a section is replaced, we take the piece (of pipe) that failed to our engineering and analysis center (EAC), where we analyze the pipe in a highly sophisticated material science lab. Our experts there perform various types of tests and analysis on the pipe so we can better understand the performance of the pipe in the ground over a period of time.



A "Smart Pig" is a machine that uses highly sophisticated sensors to provide information on how a natural gas pipe is performing.

Q SDG&E has gotten approval to use drones for inspections. Are there any new technologies that SoCalGas is using to help improve safety?

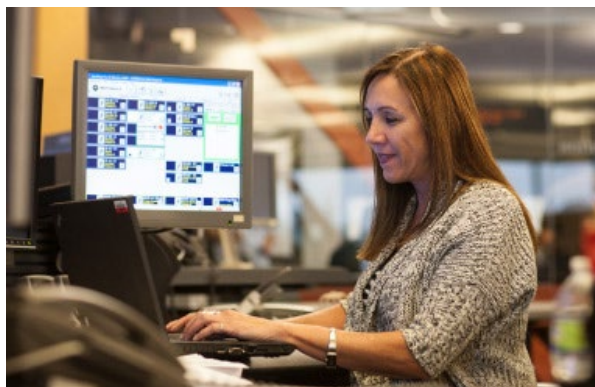
A Absolutely. One of the (pipeline inspection) technologies used today is called a "Smart Pig." It's a machine loaded with highly sophisticated sensors that we push through the pipe to tell us how the pipe is performing: Is there corrosion inside? How is the steel performing? Has someone hit the pipe? That's the technology that's been in use for quite some time.

We also have what are called "Robotic Pigs". These have much of the same sensor technology, but act more like a robot: They can crawl through pipes, go around tight corners. They can even change shape to go through a valve.

Beyond that, from a leak-detection standpoint, we have some pretty advanced instrumentation. With optical methane detection, we can detect a wide range of different types of molecules in the air.

We're installing fiber-optic cable and ground motion sensors on top of new pipe, which will help us, especially in areas that could be prone to heavy ground movement like landslide, mudslide or earthquake.

Lastly is a pilot program where we're going to install ruggedized methane monitors at 1,000 advanced meter locations. These will give us the ability to remotely monitor methane levels and could - in the future - be connected to different types of shutoff devices.



Data analytics help us determine which pipe should be prioritized for inspection or replacement.



SDG&E received approval to begin testing unmanned aerial vehicles to improve inspection of electric and gas lines.

Q In addition to safety considerations, methane emissions also have an environmental impact: One unit of methane has something like 28 times more greenhouse gas impact than one unit of carbon dioxide. With over 100,000 miles of pipelines, what is the impact of SoCalGas' system on the environment?

A California is leading the country in terms of focus on the environment and air quality, and we see this as a very good thing. And according to a report from CARB (the California Air Resources Board), almost 90 percent of methane emissions in our state come from the agriculture and waste industries. The SoCalGas system is responsible for less than 1 percent. Now considering the amount of natural gas we move through our system, that's pretty remarkable.

SoCalGas was one of the first companies to join EPA's Natural Gas Star program in the early 1990s. This program encouraged companies to voluntarily reduce their emissions by investing in new infrastructure and using new technology with no or very minimal emissions. Through our efforts over the last 20-plus years, SoCalGas has reduced emissions from its system by over 800,000 metric tons, or the equivalent of removing 500,000 cars from the road.

We are continuing to look for additional opportunities to reduce emissions. We will be spending more than \$6 billion over the next five years to further modernize our system to enhance safety, reliability and service. We are proud of our track record, but also understand and acknowledge there is more to be done.

"Through our efforts over the last 20-plus years, SoCalGas has reduced emissions from its system by over 800,000 metric tons, or the equivalent of removing 500,000 cars from the road."

Bret Lane COO, SoCalGas





OUR PEOPLE KEY TOPIC

Complying with regulations

At Sempra Energy, we work to maintain the highest standards of business conduct. We expect our board directors, officers, employees and suppliers to comply with all laws, rules, policies and regulations – and to act ethically at all times.

Proper oversight and management systems help our leaders, our employees and our suppliers make informed and ethical decisions. Our ethics and codes of conduct, including procedures for reporting concerns, are described on [pages 7-8](#). An overview of our compliance and management systems can be on [page 10](#).

A description of how we identified our 10 key topics is on [page 62](#).

Leadership Q&A

Mark A. Snell President and Chief Compliance Officer

Q With 17,000 employees serving 32 million consumers across four countries and two continents, how do we maintain a compliance-oriented workplace?

A I would say it's: "Trust but verify." We have our own inspectors, we do lots of self-audits and we also have outside people – third parties – conduct inspections and audits. If there are issues at a specific facility, we find them, we go in, and we address them. There's no hesitation. We're thoughtful and methodical and we get it done.

We also, in many cases, go beyond what is required by law or regulation. And I think that sends an important message to our workforce: that we value compliance because it is the right thing to do for the environment and to protect health and safety, not only because the law says we have to comply.

For example, when we built the [Cameron LNG](#) import facility, we built double-walled containment tanks even though the U.S. requirement was only for single-walled tanks. It cost more but it was an investment in safety that was worth it, both to our company and to protect the LNG industry.

Q How do we make sure all our different businesses and facilities are using best practices?

A One step is to encourage more sharing across the company.

What we say today (to our businesses) is: If you see something that needs to be fixed right away, whether it's a safety issue or an environmental issue or whatever, fix it! Create the policy and implement it in your business. Then share it with us (Sempra Energy corporate headquarters) and we'll take a look at it and figure out if it would be appropriate to apply the policy elsewhere.



To assess performance and compliance, Sempra Energy and its businesses use a range of management systems and processes.



Business-unit operations include 48,346 miles of electric transmission and distribution lines.

“We value compliance because it is the right thing to do for the environment and to protect health and safety, not only because the law says we have to comply.”

Mark A. Snell President and Chief Compliance Officer



Q Can compliance go too far? Are there situations where an internal policy can be too limiting?

A I’m fine with going beyond the standard – doing more than we’re required to do. For example, maybe local laws don’t require safety glasses at a certain facility. But if there’s a good argument for why we should require them, let’s do it. We just need to be smart about not creating internal policies that have unforeseen consequences.

Q In terms of keeping employees focused on compliance, isn’t there sometimes pressure to just “get the job done?”

A In all our operations, I believe the approach we take is to take time to do the job right the first time.

Q What about a scenario where, for example, a compliance employee raises a question about a new safety procedure. And then another employee tells the compliance employee that she had better be careful about raising too many questions because it could damage her career prospects. How do we make sure this sort of thing doesn’t happen? In other words, how do we protect our own compliance folks so they always feel confident in raising issues and concerns?

A Compliance is a part of our DNA. If someone at this company – at any level – says there is a compliance problem that needs to be fixed, it will get fixed.

We also have very strict and specific policies against retaliation that protect employees who raise concerns.

Now if it’s a question of interpreting a rule or regulation, I think that reasonable people can disagree –and there should be a discussion around what’s the right thing to do. But, at the end of the day, our compliance staff is charged with ensuring we follow all the appropriate rules and regulations that govern our businesses.



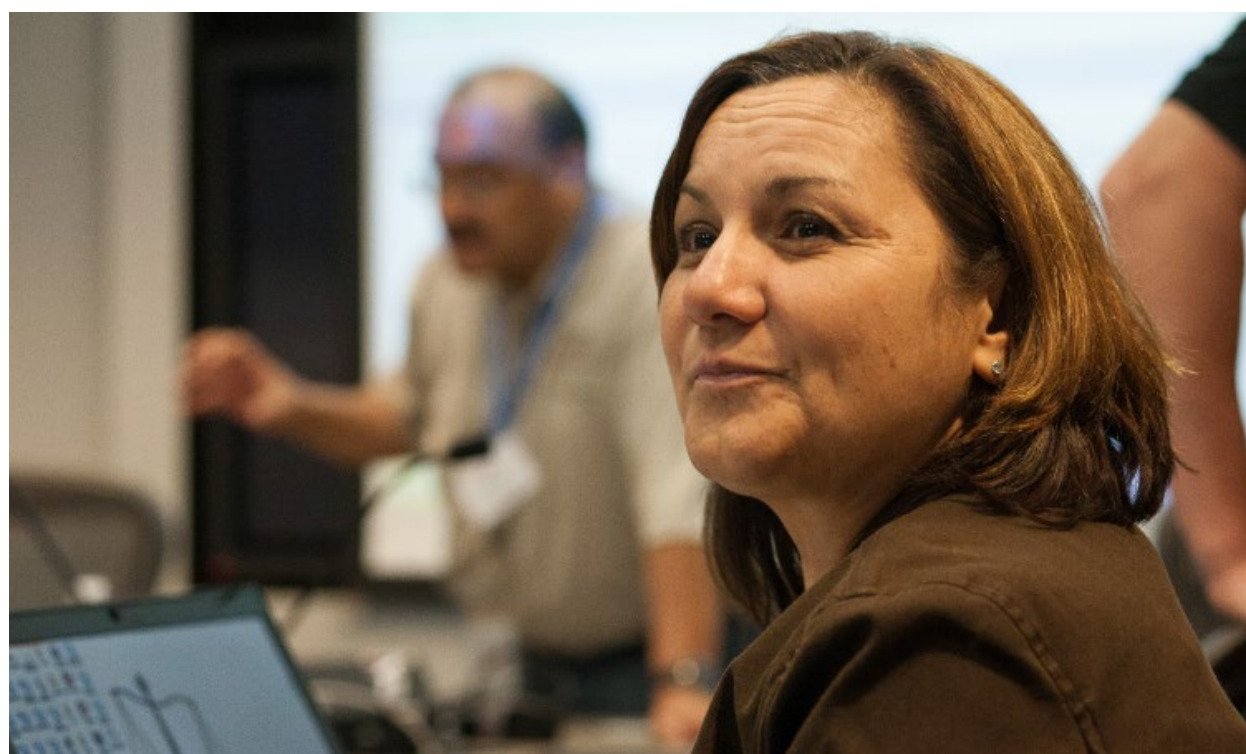
Related performance data

	2011	2012	2013	2014
Environmental compliance				
Agency inspections	420	435	395	443
Notices of violation (NOV) ¹	10	11	8	10
Percentage of agency inspections with no NOV issued	98%	97%	98%	98%
Fines and penalties ²	\$28,825	\$18,875	\$1,734	\$1,810
Internal compliance assessments and audits ³	825	835	745	422

¹ Self-reported violations are not included.

² Does not include settlements. 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.

³ The number reported in 2013 was adjusted from 945 to 745 due to a reporting error. Certain audits are now performed on an annual, rather than quarterly, basis.



At Sempra Energy, we work to maintain the highest standards of business conduct.



OUR PEOPLE KEY TOPIC

Protecting employee safety

At Sempra Energy, we work to support a safety-focused culture in which each individual feels personally responsible for their own safety as well as the safety of their co-workers. Safety tailgates are briefings that take place before our crews start a job. Safety stand-downs are larger meetings where 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.

This report also includes information ([p. 21](#)) and an interview ([p. 45](#)) about our approach to public safety, an issue that is separate, but related to employee safety. A description of how we identified our 10 key topics is on [page 62](#).

Leadership Q&A

Jimmie Cho Senior Vice President of Gas Operations and System Integrity, SoCalGas

John Sowers Vice President of Electric Distribution Operations, SDG&E

Q How do you get thousands of employees to stay focused on safety every hour of every day?

A **Sowers:** Every Fortune 500 company has a great safety *program*, but some have good safety records and some don't. What's the difference? Engagement. Safety performance is about employee engagement. Can you keep employees engaged and involved in the process?

Now there are different ways to make this happen. All of them are hard. All of them take time, money and effort. At SDG&E we have an executive safety committee. We have local safety committees run by employees. We have behavior-based safety programs where performance is rated by peers. All of these serve to keep employees engaged.

Cho: The key here is to have the culture where the employee feels empowered to make decisions and to take the right actions. Leadership at all levels of the company can make that happen. We need to have leaders who really underscore that every employee can make a difference. If everyone is thinking along those lines, you can make employee safety work.

Q How do you make sure employees are feeling empowered?

A **Cho:** A good example is what we call "Stop the job." This is something that we reinforce with our employees and that they actually practice in different scenarios. The idea is that anyone has the power to stop the job at any time if they feel that something is not right - if they see a condition that might be unsafe. And then you don't restart the job until you're sure that all concerns have been addressed and all safety precautions have been taken.

We also try to learn from safety close calls. We encourage employees to share and report safety issues that could have happened. Close-call reporting provides a great forum because it's not "something bad happened," but rather "something bad *could* have happened," and we really focus on learning from those situations. That can be pretty empowering to employees where they can really get involved in problem solving in a positive way.

Sowers: We do something very similar, with our electric safety subcommittee. It's made up of frontline workers and their managers. We go over every single safety incident from the prior month to figure out what needs to be done to prevent a reoccurrence. It's a very collaborative, solution-focused group: What happened and how can it be prevented next time? The goal is that everyone in the room will go back and share what they learned with their groups and their peers.

Q How do you make sure the culture of safety doesn't deteriorate at a particular facility?

A Sowers: Well you have leading indicators: quantitative metrics. Your OSHA (Occupational Safety and Health Administration)-recordable injury case rate, your employee lost workday case rate. These are the kind of things that we can look at across the company; by division; and by location. You also look at trends: What happened last month, what happened the same month a year ago. And you look at the five-year rolling average: Is our performance improving over time? All of these statistics tell a story.

But you also look at qualitative things. Safety performance follows employee morale. If an employee's attitude is slipping, they disengage from everything. Most commonly, companies are concerned about how that impacts production. But we also look very closely at how it impacts safety. So if we see or hear about an employee or group of employees who are upset or disgruntled, we'll try to sit down with them, maybe have a lunch where we talk through things. Figure out what needs to change. Sometimes, we rotate out the leadership. This doesn't necessarily mean there is bad leadership, but sometimes it's just time for a change and a fresh perspective.



"The key is to have a culture where the employee feels empowered to make decisions and to take the right actions. We need to have leaders who really underscore that every employee can make a difference, and if everyone is thinking along those lines, employee safety works."

Jimmie Cho Senior Vice President of Gas Operations and System Integrity,
SoCalGas



Q How do you help employees manage the pressure to complete a job quickly with the pressure to do it safely?

A **Cho:** We practice! As part of training, we have a place that we call “Situation City” where we have a mock-up of a residential neighborhood. We do different simulations like a B&B (a broken and blowing natural gas pipe) or a smaller leak that our crews have to find. By simulating situations employees are likely to encounter in the field, we prepare them to handle real life incidents with the skills and confidence they need to respond safely.

Sowers: There is never a situation where we don’t have time to do it safely. Five to ten more minutes longer on an outage is not going to make an appreciable difference. And, in fact, across the industry probably 90 percent of mistakes are due to shortcuts like “We decided not to double-check.” There is always time to do it safely – always time to do it right.

I also want to say that you just have to have tremendous respect for these folks. They’re working in an environment where they absolutely need to stay focused. When you’re dealing with power lines with 12,000 volts of electricity running through them, you have every reason in the world to want to do your job right. We make sure the culture and focus is there to help.

“We go over every single safety incident from the prior month to figure out what needs to be done to prevent a reoccurrence. It’s a very collaborative solution-focused group: What happened and how can it be prevented next time?”

John Sowers Vice President of Electric Distribution Operations, SDG&E



We work to support a safety-focused culture in which each individual feels personally responsible for their own safety as well as the safety of their co-workers.

Q Is there anything you’d like to highlight in terms of your 2014 performance?

A **Sowers:** SDG&E had a record year last year in terms of our OSHA lost-time case rate. But more important than year-to-year performance, for us, is that the number of safety incidents has been trending down in terms of our five-year rolling average. When we look at our performance over time, you see very strong and continuous improvement.

Cho: We also look at the five year trend - it's a great indicator. At SoCalGas, our OSHA-recordable incident rate declined 23 percent over the past five years - good progress, but not success. In 2014, our lost time incident rate declined by 15 percent and our controllable motor vehicle incident rate declined by 22 percent, when compared with our 2013 performance. Again, those numbers mean we're making good progress. But we're not successful yet. We will not be satisfied until every employee goes home safe every day.

Q What keeps you up at night?

A Cho: Let's talk about driving. Consider the size of our service territory! (SoCalGas' service territory encompasses approximately 20,000 square miles.) Our employees drive an incredible number of miles per year. So we want to make sure they've received safe driving training - and that they're using those skills every day.

The other thing I think about a lot is body-mechanics injuries. Things like back injuries and repetitive motion injuries - the simple things our employees do day in and day out. We have a program around body mechanics: How do you lift, move your body, work with tools? We also have a stretching program to make sure employees are prepared to work safely.

Q Is there anything either of you would like to add?

A Sowers: If you have continuous improvement, management commitment and employee involvement, you're going to be successful.

Cho: I totally agree.

Related performance data

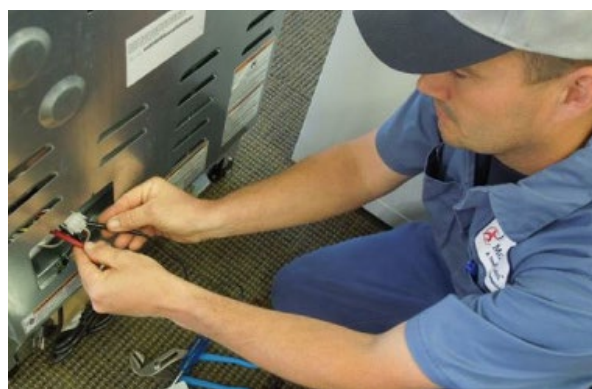
	2011	2012	2013	2014
Safety performance				
Employee work-related fatalities	0	0	1	0
Employee OSHA recordable incident rate ¹	2.42	2.26	2.41	2.41
Employee lost work time case rate ²	0.92	0.86	0.88	0.80

¹ The number of recordable injuries or illnesses per 100 full-time workers.

² The number of lost time cases per 100 full-time workers



With the "Circle of Safety" program, a safety cone is placed in front and to the rear of all parked company vehicles.



Employee safety programs include a focus on body mechanics.



OUR PEOPLE KEY TOPIC

Behaving ethically

At Sempra Energy, we expect our leaders, employees and suppliers to behave ethically every day. We act ethically, because it is the right thing to do, but also because of the broader business benefits. When we uphold high ethical standards, we build trust with our customers, employees, business partners and the communities where we do business. Moreover, maintaining an ethical workplace where compliance is the norm helps to manage the risks inherent in any sizable business enterprise.

For the sixth year, the Ethisphere Institute has recognized Sempra Energy as one of the world's most ethical companies. Sempra Energy is one of only eight companies in the Energy & Utilities category to be recognized on the organization's "2015 Most Ethical Company" business list.

An overview of our ethics and codes of conduct, including procedures for reporting concerns, can be found on [pages 7-8](#). A description of how we identified our 10 key topics is on [page 62](#).

Leadership Q&A

Angelica Espinosa Chief Counsel, Sempra International

Q How does Sempra Energy work to clarify what we might call "the gray areas" in terms of ethical behavior? In other words, how do we make it easier and clearer for our employees to make the right choices?

A Being a compliant company is a competitive advantage for Sempra Energy, so we focus on making sure that our employees do the right thing. This protects our reputation and improves our ability to do business. We are incentivized to make sure the right guidelines, the right training and the right internal procedures are in place at our company.

Let me give you an example. We always look to support educational and cultural activities in the communities where we operate. We have identified an opportunity to support, financially, the construction of a major museum in one of the countries where we do business. Now, one way we could do this would be to just write a check and give it to the organization behind the project and hope that everything gets done correctly.

Instead, what we're doing is taking a very close look at the project. How was the architect selected? How are the other sponsors being determined? How large of a contribution are they requesting? How exactly will it be

used? What accounting procedures are in place at the organization that is building the museum? How about the project milestones: Are incentives in place to ensure the timely and efficient construction of the museum? In other words, we've taken a close look at the project to make sure that if we decide to make a contribution, the funds will be used appropriately and wisely.

Now the interesting thing is that we've taken this experience (of researching this one potential contribution) and done something even more far-reaching: We've refined the process we use across the company to make charitable contributions. A one-size-fits-all approach isn't effective. Instead, we've adopted a risk-based approach. We ask questions like "What is the requesting organization's reputation? How much is the request for? Where is the organization located?" Once we've catalogued what we know, then we can prioritize and assign resources – determine what level of due diligence we need based on the risk. This is the sort of process that can really help employees when they feel like they might be in a "gray area."

"The key in compliance is that it must resonate with people for it to be effective... Good compliance should help employees work smart."

Angelica Espinosa Chief Counsel, Sempra International



We expect our leaders, employees and suppliers to behave ethically every day.



When we uphold high ethical standards, we build trust with our customers, employees, business partners and the communities where we do business.

Q This sounds pretty complicated. How do you get buy-in from employees?

A The key in compliance is that it must resonate with people for it to be effective. With this new approach (to making charitable contributions), we're actually much more efficient because we assign resources and focus more time and energy where it makes more sense. A quick example: The new process includes an audit log of decisions. Employees appreciate this because it allows them to easily document everything. And if they need to look back, they have all of that information at their fingertips. That's much more efficient than digging through old emails. Good compliance should help employees work smart.

Q Can you describe our approach to ethics training?

A Ethics isn't a science. But if you give people the tools and the support, they'll be successful. We had a recent compliance symposium and the agenda went from internal to external. It included a roundtable where there was very frank discussion of "Where are we seeing the risks? How are we managing them? How do we identify red flags?" And the focus of the whole symposium was really on encouraging our people to constantly ask questions – to be a skeptic.

It's also very important that we get support. There's just a great tone from the very top. Debbie Reed (chairman and CEO of Sempra Energy) asks about due diligence. She's very involved and focused on compliance and asks the right questions, and that's incredibly helpful.

Q From time to time, there will be media coverage of an ethical issue. Why should the public believe Sempra Energy's side of the story?

A What you're asking about is trust. And I think you have to start building trust long before you have an issue. The key, in my opinion, is to be constantly updating the public. Keep open lines of communication and be very direct and honest on an ongoing basis.

Q Can you share an example of a time when our company has gone above and beyond what we had to do? When we went beyond mere compliance to try to make a difference?

A I'll come back again to philanthropy. It's very important to get on the ground to truly understand the communities where we're doing business. We're building a school in Peru near the Santa Teresa hydro plant, which is 715 miles from Lima. To get to this community, you have to take a plane and then a car and then a train and then another hour-plus drive. In other words, the only people who are really going to know or care that we're building this school are the families who are going to benefit from it. So we're not doing this for the headlines or public relations reasons. We're building it because we care – because it's the right thing to do if we're going to be doing business in this community, and we are doing it because of who we are as a company.





OUR PEOPLE KEY TOPIC

Planning for the future

Innovation is essential to our company; we must think creatively to address new challenges and opportunities. Domestic natural gas is becoming more affordable and available. Emissions regulations and utility rate structures are being revised or rewritten. And customer interest and involvement in energy is growing.

To meet these challenges, our company and our workforce must adapt.

A description of how we identified our 10 key topics is on [page 62](#). We describe our approach to risk management on [pages 9-10](#). Information on employee health, wellness, training and development is on [page 26](#).

Leadership Q&A

Hal D. Snyder Vice President, Human Resources, Diversity and Inclusion, SoCalGas

Q Natural gas is much more affordable and available today, compared with just a few years ago. How can SoCalGas customers use this resource, both now and in the future?

A Many of our customers think of natural gas as just for heaters and stoves. We are working to change that perception because it's just not true anymore.

Today, natural gas is used to run fuel cells that generate electricity in homes and businesses. It's used by commercial and industrial customers to run small, on-site generators. It's used in combined heating and power units where combustion generates electricity and the heat from combustion is used for other purposes.

All of these non-traditional uses are only going to increase because natural gas is so much more available and affordable than it was a decade ago.

Q So the shift is primarily toward smaller, more-local generation?

A The Los Angeles area has very large power plants in Huntington Beach, Long Beach and Torrance. Those facilities, someday, sometime, will have to close. And I think smaller, more-localized generation will replace them. That will be a big deal. But there are some even bigger changes coming.

Right now, one of the challenges with the energy grid is that it often has extra renewable energy that goes unused. Wind turbines, for example, generate a lot of electricity late at night when demand is low. So what we're trying to do (in a project with the U.S. Department of Energy and the National Fuel Cell Research Center) is to demonstrate a power-to-gas system: We're using that extra renewable energy to take water and separate out the hydrogen from the oxygen - it's called electrolysis. Then we take the hydrogen gas, which is zero-

emission by the way, and we can convert it to synthetic natural gas and store that energy in our system. This could potentially turn our system of natural gas pipelines into a giant renewable energy battery.

The hydrogen also can be used as a multi-purpose energy source for vehicles, micro-turbines, fuel cells or other equipment.



Non-traditional uses of natural gas are increasing.

Q Do you think natural gas can play a role in meeting California's renewable energy and greenhouse gas reduction goals?

A Yes, through renewable biogas. With the huge agricultural and dairy operations in California, there is great potential to capture methane that is currently being released to atmosphere and put it in our pipelines. By capturing this organic source of methane, we can utilize our extensive infrastructure and significantly reduce GHG emissions.

SoCalGas already offers a biogas conditioning service to help customers utilize biogas produced from their operations and is exploring other ways to increase the supply of bio-methane in California.

Q How will these kinds of changes impact the SoCalGas workforce?

A The future leaders of SoCalGas won't be thinking in terms of natural gas - they'll be thinking about how they can create new energy solutions that are low-cost and green. These may be very different than what we're doing today: Things like distributed generation of electricity, smaller-scale power plants, fuel cells, power-to-gas and energy storage. We may have more employees who are electrical and chemical engineers; people who understand the science of energy conversion.

"Right now, one of the challenges with the energy grid is that it often has extra renewable energy that goes unused. We're working with the U.S. Department of Energy and the National Fuel Cell Research Center to demonstrate a power-to-gas system that would convert that unused energy to synthetic natural gas, ready to be used in our system."

Hal D. Snyder Vice President, Human Resources, Diversity and Inclusion, SoCalGas



Q More than half of SoCalGas' workforce will be eligible to retire within the next five years. How is the company recruiting the next generation of workers?

A We're staying local and starting early. For example, I'm the co-chair of the California State Science Fair. We had a thousand high school students - these are our future leaders - at the California Science Center showing their science projects. A lot of their exhibits were about energy. And when we're present at these types of events, we're saying to these kids that SoCalGas is not an old, stodgy utility company, but rather an exciting part of the future.

We're also working at the collegiate level, sponsoring scholarships for engineering students at Long Beach State, for example. And we're involved in workforce development organizations like TELACU, which is working with underprivileged kids in Los Angeles neighborhoods to help them succeed in school and go on to college. Our work there helps introduce these kids to the company.

These are longer-term investments. But I think it's important to reach these future leaders while they are still deciding what they want to do.

Q How have you adapted training methods to fit the learning style of a new generation of workers?

A We start with internships where college graduates can work for a short time at our company and experience our culture and values. A lot of these interns end up staying because they like what they see.

We also have SoCalGas University, where our employees can find online classes, face-to-face training, reading opportunities, book abstracts and Harvard mentoring opportunities. It's a one-stop shop that is appealing to our newer employees.

Q What about employee retention? Getting them in the door is one thing, but how do you encourage them to stay?

A Many of our younger employees are looking for new challenges and new opportunities, and they're looking to move on and move up pretty quickly - or they will move out. We're seeing some of that happening now. But the good thing is we have so many new areas of our company that we can let people move into. I think we need to let our employees know about these opportunities to move around. One of the major advantages of working at a larger company is that there are so many opportunities *within* the company.

At the same time, I don't think one size fits all, in terms of employee development. There was a feeling at one time that you had to punch a bunch of tickets to get promoted. But there are some employees who really want to work in operations, for example, or in another area. And that's fine and there are also promotional opportunities for them.

We are also improving our flexibility around work hours and work location. Technological advances make it much easier for people to work remotely and at different hours. Where that is feasible, we're really encouraging it.

Q How is the company preserving the institutional knowledge of soon-to-be-retiring workers?

A We have a "knowledge management" manager who is purely focused on knowledge transfer. We have 50 knowledge transfer champions within the company who work together to identify areas where we could be improving institutional knowledge retention. We're mapping and documenting the critical aspects of certain jobs. And we're doing a lot of job shadowing.

Related performance data

	2011	2012	2013	2014
Sempra Energy workforce demographics				
Women:				
Percent of workforce	27	28	29	29
Percent of management	35	32	33	33
Percent of company leadership ¹	26 ²	23	23	25
Ethnic minorities (U.S. workforce):				
Percent of workforce	53	54	56	56
Percent of management	44	45	47	48
Percent of company leadership ¹	22	24	27	27
Workforce diversity (U.S. workforce):				
Hispanic	33	33	34	35
Black	9	9	9	9
Asian	11	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.

² Companywide data not available for 2011 due to acquisitions in that year.



Many of our younger employees are looking for new challenges and new opportunities.



When our employees are trained, challenged and empowered to take initiative, our business thrives.



About this report

This report is current as of July 31, 2014. Please see responsibility.sempra.com for more up-to-date information.

Sempra Energy's corporate responsibility report covers all businesses and facilities where we have operational control. Exceptions or additions are noted. The report is divided into three main sections:

- [How we do business](#) is an overview of our company: our business model, governance structure and how we manage risk.
- [2014 performance](#) and impact provides detail on our company's financial, environmental and social performance.
- [Key topics](#) outline our approach to 10 important issues facing our company and our industry. This section includes interviews with company leaders.

This report meets the requirements of a core-level G4 report according to the [Global Reporting Initiative \(GRI\)](#). Our GRI G4 content index can be found at responsibility.sempra.com/cr-reports.

The GRI encourages companies to report on issues that have significant economic, environmental and social impacts. In 2014, we completed a materiality assessment which included an online survey that gathered responses from more than 400 individuals, equally divided among employees, customers and other external stakeholders.

This assessment indicates that the following six topics are material to Sempra Energy, according to the Global Reporting Initiative's principles for materiality in corporate responsibility reporting: business ethics; public safety; employee safety; energy reliability; fair rates; and regulatory compliance. Each issue is covered in depth in the "Key topics" section. We include four additional issues in "Key topics" based on their significance to the energy industry.

Greenhouse gas emissions for 2013 were verified as follows: SDG&E, by Conestoga-Rovers & Associates, Inc.; SoCalGas, by Lloyd's Register Quality Assurance, Inc.; and Termoeléctrica de Mexicali, by Cameron-Cole, LLC. The verification process for 2014 greenhouse gas emissions will be completed later in 2015.

FORWARD-LOOKING STATEMENTS

We make statements in this report that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not necessarily based upon assumptions with respect to the future, involve risks and uncertainties, and are not guarantees of performance. These forward-looking statements represent our estimates and assumptions only as of the filing date of this report. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors.

In this report, when we use words such as “believes,” “expects,” “anticipates,” “plans,” “estimates,” “projects,” “forecasts,” “contemplates,” “intends,” “depends,” “should,” “could,” “would,” “will,” “confident,” “may,” “potential,” “possibly,” “proposed,” “target,” “pursue,” “goals,” “outlook,” “maintain” or similar expressions, or when we discuss guidance, strategies, plans, goals, opportunities, projections, initiatives, objectives or intentions we are making forward-looking statements.

Factors, among others, that could cause our actual results and future actions to differ materially from those described in forward-looking statements include: 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, U.S. Department of Energy, Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Atomic Safety and Licensing Board, California Energy Commission, U.S. Environmental Protection Agency, California Air Resources Board and other regulatory, governmental and environmental bodies in the United States and other countries in which we operate; the timing and success of business development efforts and construction, maintenance and capital projects, including risks in obtaining, maintaining or extending permits, licenses, certificates and other authorizations on a timely basis and risks in obtaining adequate and competitive financing for such projects; energy markets, including the timing and extent of changes and volatility in commodity prices, and the impact of any protracted reduction in oil prices from historical averages; the impact on the value of our natural gas storage assets from low natural gas prices, low volatility of natural gas prices and the inability to procure favorable long-term contracts for natural gas storage services; delays in the timing of costs incurred and the timing of the regulatory agency authorization to recover such costs in rates from customers; deviations from regulatory precedent or practice that result in a reallocation of benefits or burdens among shareholders and ratepayers; capital markets conditions, including the availability of credit and the liquidity of our investments; inflation, interest and currency exchange rates; the impact of benchmark interest rates, generally Moody’s A-rated utility bond yields, on our California Utilities’ cost of capital; the availability of electric power, natural gas and liquefied natural gas, and natural gas pipeline and storage capacity, including disruptions caused by failures in the North American transmission grid, pipeline explosions and equipment failures and the decommissioning of San Onofre Nuclear Generating Station (SONGS); cybersecurity threats to the energy grid, natural gas storage and pipeline infrastructure, the information and systems used to operate our businesses and the confidentiality of our proprietary information and the personal information of our customers, terrorist attacks that threaten system operations and critical infrastructure, and wars; the ability to win competitively bid infrastructure projects against a number of strong competitors willing to aggressively bid for these projects; weather conditions, conservation efforts, natural disasters, catastrophic accidents and other events that may disrupt our operations, damage our facilities and systems, and subject us to third-party liability for property damage or personal injuries; 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 we do not have a controlling interest; risks inherent with nuclear power facilities and radioactive materials storage, including the 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, including motions to modify settlements; 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 San Diego Gas & Electric Company’s (SDG&E) electric transmission and distribution system due to increased amount and variability of power supply from renewable energy sources; the impact on competitive customer rates 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 due to insufficient market interest, unattractive pricing or other factors; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond our control.

We caution you not to rely unduly on any forward-looking statements. You should review and consider carefully the risks, uncertainties and other factors that affect our business as described in this report and the reports that we file with the Securities and Exchange Commission.



NON-GAAP FINANCIAL MEASURES

Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share exclude 1) in 2014, a \$21 million charge to adjust the total plant closure loss resulting from the early retirement of San Onofre Nuclear Generating Station (SONGS); 2) in 2013, a \$119 million plant closure loss from the early retirement of SONGS and \$77 million retroactive impact of the 2012 General Rate Case (GRC) for the full-year 2012; and 3) 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. Sempra Energy Adjusted Earnings and Adjusted Earnings Per Share are non-GAAP financial measures (GAAP represents accounting principles generally accepted in the United States of America). 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 2014 to 2012 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.

	2014 ¹	2013 ¹	2012 ¹
Reconciliation of Sempra Energy Earnings to Sempra Energy Adjusted Earnings (Dollars in millions, except per share amounts)			
Sempra Energy Earnings (GAAP)	\$1,161	\$1,001	\$859
Add: Plant closure loss	21	119	-
Less: Retroactive impact of 2012 GRC for full-year 2012	-	(77)	-
Add: Rockies Express impairment charge, net of Kinder Morgan receipt	-	-	214
Sempra Energy Adjusted Earnings	\$1,182	\$1,043	\$1,073
Diluted earnings per common share:			
Sempra Energy Earnings (GAAP)	\$4.63	\$4.01	\$3.48
Sempra Energy Adjusted Earnings	\$4.71	\$4.18	\$4.35
Weighted average number of common shares outstanding (diluted, in thousands)	250,655	249,332	246,693

¹ Years ended December 31.

AFFILIATE COMPLIANCE

Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not the same companies as the California utilities, San Diego Gas & Electric (SDG&E) or Southern California Gas Company (SoCalGas), and Sempra International, LLC, and Sempra U.S. Gas & Power, LLC, are not regulated by the California Public Utilities Commission. Sempra International's underlying entities include Sempra Mexico and Sempra South American Utilities. Sempra U.S. Gas & Power's underlying entities include Sempra Renewables and Sempra Natural Gas.



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