



Powering our changing world

2009 Corporate Responsibility Report



About this report

Powering Our Changing World is Sempra Energy's second annual corporate responsibility report. It describes our performance on key environmental, social, and economic issues and provides detail on the actions taken to develop sustainable energy solutions for today, and the future.

In response to stakeholder feedback, we made several changes and additions to this year's report including:

- An engagement summary on pg. 10 outlines our interaction and communication with stakeholders
- A discussion on our actions to reduce fresh water usage is found on pg. 23
- The key performance indicator table on pg. 36 summarizes our corporate responsibility performance

Our reporting continues to be informed by the Global Reporting Initiative (GRI) *G3 Sustainability Reporting Guidelines*, a standardized framework for disclosing an organization's environmental, social, and economic performance. An index of GRI indicators can be found on our Web site at www.sempra.com/cr.

Except where specifically noted, the scope of the report covers calendar year 2009 data and activities for Sempra companies in the U.S. and Mexico where we have operational control. The report includes best available information. The data, however, was not audited.

Stakeholder feedback is an essential element of our reporting process and our commitment to corporate citizenship. Please write to us at corporateresponsibility@sempra.com to share your thoughts on this report and our overall performance.

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A message from Donald E. Felsing Chairman and CEO

Delivering safe and reliable energy is a responsibility that we take very seriously. It is our business.

But that is just part of the Sempra Energy story. We are also focused on providing exceptional service to our customers, developing strong community partnerships, and operating our business in a responsible way — all while delivering superior returns for our shareholders.

In *Powering Our Changing World*— Sempra's second corporate responsibility report — we outline how we are translating our commitment to corporate citizenship and long-term energy sustainability into action.

Our approach to meeting the growing energy needs of our customers is based on a low-carbon model with four key elements: clean natural gas, energy efficiency, renewable power, and smart grid innovations. And over the next five years we plan to invest \$14.6 billion to bring these sustainable energy solutions to market.

It starts with clean natural gas. Even with efficiency improvements and new supplies of renewable power coming online, traditional sources of energy will still be needed. We believe that natural gas will be the fuel of choice in North America as we move into a new era of carbon constraints. It is the cleanest fossil fuel with approximately 50 percent less carbon emissions than coal.

We continue to invest in new infrastructure to expand the availability of this cleaner fuel. In 2009, our Sempra LNG business unit completed Cameron LNG, a new \$900 million

liquefied natural gas receipt terminal in Louisiana capable of processing up to 1.5 billion cubic feet of natural gas each day.

Energy efficiency can cut carbon emissions cost-effectively and help our customers save money. Our California utilities have led the way for three decades. Energy efficiency has kept the state's per capita electricity consumption almost flat for over 30 years while the rest of the country has increased by nearly 50 percent. Because of this success, we continue to advocate strongly for the inclusion of aggressive energy efficiency standards in any future U.S. climate and energy legislation.

Our approach to meeting the growing energy needs of our customers is based on a low-carbon model.

Renewable power remains a core component of Sempra's business strategy, and of our commitment to develop a sustainable energy supply for the future. I am pleased to report that in 2009 our Sempra Generation business unit brought its first wind energy project — a 200-megawatt facility in Indiana — online through a joint partnership. Sempra Generation also began construction on its second solar power project, called Copper Mountain Solar,

located outside Las Vegas. The 48-megawatt project employs thin film photovoltaic solar technology that does not use already scarce water supplies to generate electricity. Additionally, our San Diego Gas & Electric® (SDG&E®) subsidiary continues to make steady progress toward its goal of acquiring 33 percent of its electricity supply from renewable sources by 2020.

None of this would be possible without the dedication of Sempra's nearly 14,000 employees who develop innovative energy solutions for 29 million customers each day.

Innovative smart grid technologies are transforming the energy industry. Our SDG&E and Southern California Gas Co. (SoCalGas®) utilities are building a more intelligent energy grid that will allow them to operate their facilities more efficiently, provide customers with enhanced information about their electricity and gas usage, improve energy efficiency, and integrate additional renewable power supplies. SDG&E is well along toward replacing 2.25 million conventional electric and gas meters with digital smart meters, and should complete the project by 2012.

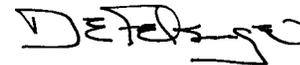
Safety remains a top priority at Sempra. There is nothing more important than making sure our employees and contractors return home each night injury free. I am pleased to report that we improved our safety performance in 2009, achieving reductions in the number and severity of injuries compared to 2008. While we still have work to do, our continued focus on creating a culture of safety in our businesses is making a difference.

Strong community partnerships are part of the foundation of our company's success. Given the tremendous financial challenges facing our communities, these partnerships are more important than ever. Through Sempra corporate giving and the Sempra Energy Foundation, we contributed \$13.7 million to nonprofit organizations in 2009. This includes \$1 million in grants awarded to 30 organizations focused on environmental stewardship and resource protection as part of the Environmental Champions Award program at the Sempra Energy Foundation.

None of this would be possible without the dedication of Sempra's nearly 14,000 employees, who develop innovative energy solutions for 29 million customers each day. Because of their work, we were honored to earn the No. 2 ranking among electric and gas utilities on *Fortune* magazine's annual "World's Most Admired Companies" list for the second consecutive year. SoCalGas was also rated highest in customer satisfaction among natural gas utilities in the western U.S. by J.D. Power and Associates*.

Sempra's approach to corporate responsibility starts with creating an ongoing dialogue with our stakeholders. I hope you find the information included in this report helpful in understanding the steps we are taking to continually improve and innovate for the future.

Thank you for your continued interest in Sempra, and I look forward to your feedback.



Donald E. Felsing
Chairman and CEO

*J.D. Power and Associates 2009 Gas Utility Residential Satisfaction Study.SM Study based on 54,405 total interviews with U.S. residential natural gas customers surveyed between July to September 2009 measuring 15 utilities in 9 western states. www.jdpower.com.

Sempra Energy

- **\$8.1 billion** 2009 revenues
- **13,800** employees
- **29 million** customers worldwide

Sempra Energy is a San Diego, Calif.-based energy holding company that delivers a sustainable supply of energy needed to power the lives of 29 million consumers each day. We operate utilities, develop energy infrastructure, and provide energy-related services to communities around the world. Since 2005, Sempra has invested \$12 billion to expand the supply of clean natural gas and renewable power, and to bring new innovations to the energy grid.

- Generation
- LNG Receipt Terminal
- Gas Storage
- Gas/Electric Distribution
- Gas Pipeline

* includes joint ventures



San Diego Gas & Electric

- **3.5 million** consumers
- **4,100 square mile** service territory

San Diego Gas & Electric (SDG&E) provides safe and reliable energy service to 3.5 million consumers in San Diego and southern Orange counties. The utility's service territory spans 4,100 square miles.

Southern California Gas Co.

- **20.7 million** consumers
- **20,000 square mile** service territory

Southern California Gas Company (SoCalGas), the nation's largest natural gas distribution utility, provides safe and reliable energy to 20.7 million consumers in a 20,000 square mile service territory throughout Central and Southern California from Visalia to the Mexican border.

Sempra Generation

- **2,740** megawatts
- **Natural gas, wind, and solar**

Sempra Generation provides reliable electric power to markets in North America. The company owns clean natural gas-fired power plants and renewable solar and wind generation facilities with a capacity of 2,740 megawatts. Sempra Generation is developing additional solar and wind power projects.

Sempra Pipelines & Storage

- **2,000+ miles** of pipeline
- **11 Billion cubic feet (Bcf)** of storage capacity

Sempra Pipelines & Storage develops natural gas infrastructure, operates natural gas utilities in the U.S. and Mexico, and has utility investments in South America. The company and its affiliates operate and/or own more than 2,000 miles of pipeline and 11 billion cubic feet (Bcf) of storage capacity.

Sempra LNG

- **2 LNG terminals**
- **2.5 Bcf** natural gas/day

Sempra LNG is a leading importer of liquefied natural gas (LNG) and operates receipt terminals in North America. The company developed the first LNG receipt terminal on the west coast of North America and a second terminal on the Gulf Coast of Louisiana. The combined capacity of the facilities is 2.5 Bcf of natural gas a day.

Sempra Values

The Sempra Values serve as the foundation for our company and our commitment to corporate responsibility. Our Values go well beyond words. They guide our decision-making and define the way we treat the environment, engage with our stakeholders, and operate our businesses.

Ethical

Do the **right** thing

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

Respectful

People matter

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

High Performing

Deliver **outstanding** results

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

Forward Looking

Shape the **future**

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

Responsible Partner

Create **positive** relationships

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

Ethical

We were honored to be named to Ethisphere's annual list of the "World's Most Ethical Companies." [Pg. 7](#)

Respectful

We created a new Employee Diversity Council to bring together employees and executives from across our companies to help foster an inclusive work environment that is free of discrimination. [Pg. 27](#)

High Performing

Sempra met its 2009 financial performance targets. We delivered a total shareholder return of 36 percent, with 2009 earnings of \$1.119 billion, or \$4.52 per diluted share. [Pg. 36](#)

Forward Looking

We completed our first wind energy project and began construction on what will be the largest photovoltaic solar-power facility in the U.S. [Pg. 18](#)

Responsible Partner

Sempra Energy and the Sempra Energy Foundation contributed \$13.7 million to our community partners and families in need. [Pg. 31](#)

Ethics & governance

Sempra Energy is committed to the highest ethical standards. Operating our business ethically is one of our core values and an integral part of who we are.

Governance

The Board of Directors establishes corporate policies and oversees the performance of the company to ensure it operates to maximize value for shareholders and aligns with our corporate values. Sempra's Board of Directors in 2009 consisted of 12 members, elected annually, 10 of whom are independent. We aim to have a Board with diverse perspectives and experiences to bring to the company. Forty percent of our independent Board members were either women or minorities.

Board actions are governed by the corporate governance guidelines and the code of business conduct for directors. The Board exercises its role through five committees: Audit, Corporate Governance, Compensation, Executive, and Environmental and Technology. For more information on the Board's structure, guidelines, and committees, please visit sempra.com.

The Environmental and Technology Committee reviews, evaluates, and makes recommendations on issues related to environmental, health, and safety matters, in addition to discussing the impacts of climate change and overall business strategies — including opportunities with emerging technologies — to minimize the impact of company operations on the environment. Committee members receive

periodic updates on the company's environmental performance from members of Sempra's senior management team, including our Chief Compliance Officer, Neal Schmale, and our Chief Environmental Officer, Javade Chaudhri.

Compliance and ethics

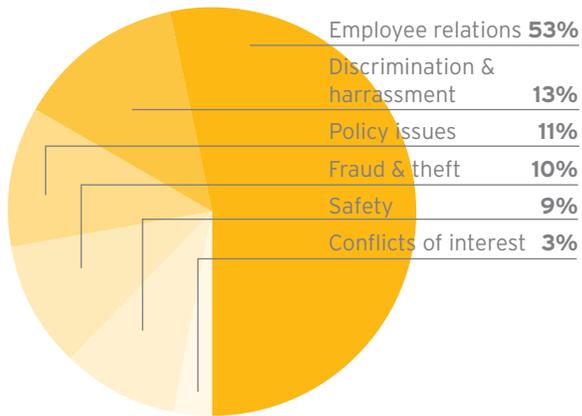
"Ethical" is a core Sempra Value that defines the manner in which we operate our companies around the world. The corporate compliance plan provides the framework for establishing and maintaining a culture and environment that encourages ethical conduct and where compliance is standard. Our Chief Compliance Officer is responsible for implementing the compliance plan, working closely with Joyce Rowland, Sempra's Chief Ethics Officer and other members of senior management. They provide regular reports and updates to the Board of Directors. Each Sempra business unit reviews compliance matters with their respective Boards of Directors, which are comprised of senior company leadership. They also report to the Corporate Compliance Committee twice a year to identify any possible areas of risk.

A culture of ethics



In 2009, Sempra was awarded the highly regarded Ethics Inside® certification from the Ethisphere Institute. The certification is granted to organizations that prove they have an employee and leadership culture that promotes ethical business practices and corporate responsibility. Ethisphere Institute's magazine, *Ethisphere*, also named Sempra Energy to the magazine's annual list of the "World's Most Ethical Companies," for the first time.

2009 ethics and compliance helpline calls by category¹



¹ Due to rounding, percentages do not add up to 100

Compliance and ethics (continued)

The Code of Business Conduct clearly outlines Sempra’s expectations for employees in maintaining an ethical and compliant workplace. Employees are expected to know and comply with the code and receive training on company policies included in the code on an ongoing basis. The company and its employees must comply with all anti-corruption and bribery laws, including the U.S. Foreign Corrupt Practices Act (FCPA), wherever we conduct business. Additional information on our employee Code of Business Conduct can be found at sempra.com.

We aim to create an environment where employees feel comfortable raising issues related to ethical business conduct. Employees have a variety of avenues to report concerns: they may contact their supervisor, the corporate compliance department, or the anonymous Ethics and Compliance Helpline. The Helpline, operated by an independent third party, is available globally 24 hours a day, seven days a week. In 2009, 146 calls were made to the Helpline. Each call is investigated by the company.

Challenges // In 2009, we reached a settlement with the California Public Utilities Commission over allegations that SDG&E inaccurately communicated with Commission advisors about alternative routes for the Sunrise Powerlink transmission line, and for failing to file the appropriate public

We aim to create an environment where employees feel comfortable raising issues related to ethical business conduct.

notices following the meetings. While SDG&E strongly disagrees with the allegations, we certainly concur that clear and accurate communications with regulators are essential. As part of the settlement we are developing professional responsibility training and a manual that outlines best practices for communication with the Commission. We also agreed to pay \$720,000 to the state, and \$200,000 to fund certain customer assistance programs.

Political contributions

Sempra participates in public policy debates on topics that affect our business, engaging with relevant industry groups and making contributions to political candidates, parties, and ballot measures as allowed by federal, state, and local law. In 2009, corporate contributions totaled just over \$643,000. A robust process is in place to approve, track, record, and report these contributions.

The Sempra Energy Employees’ Political Action Committee (SEEPAC) is a multi-party political action committee as defined by federal law. Its contributions are funded entirely by employees, and in 2009, SEEPAC gave over \$150,000 to candidates for state and federal office, political parties, and campaign committees. Contributions are tracked and reported through state and federal processes, including the Federal Election Commission.

Supply chain

Suppliers represent an important part of Sempra's business, and working with them is one way we help to create jobs and contribute to economic development in our communities.

We expect our suppliers to embrace our commitment to integrity and conduct their business in compliance with all laws, rules, and regulations, as outlined in the Supplier Code of Conduct.

Sempra companies are also taking steps to engage with suppliers on sustainability. For example, our SDG&E subsidiary is a member of the Electric Utility Industry Sustainable Supply Chain Alliance, a nonprofit organization formed by investor-owned utilities across the U.S. The Alliance has created a set of voluntary standards to evaluate the supply chain on their environmental performance and sustainable business practices. SDG&E is working to incorporate key aspects of the sustainability standards into its contracting processes.

Sempra believes that our suppliers should reflect the diversity of the communities we serve and places a priority on spending with diverse business enterprises (DBEs). Our California utilities set annual aspirational contracting goals, and in 2009 our spending across all categories of DBEs — minority, women, and service-disabled veterans — increased to over 31 percent of total spending. This exceeded our goal of 30 percent for 2009, and is well above the California Public Utilities Commission target of 21.5 percent.

SDG&E and SoCalGas DBE Spending

Millions of dollars and percentage of total spending



Education and mentoring are key components of our supplier diversity program. Our approach identifies, develops, and mentors promising suppliers, allowing them to put their knowledge to work for Sempra and also leverage their experience to open doors to new business opportunities.

Investing in our suppliers

“The Sempra utilities have been very supportive

of Anahau Energy and have provided me with development and networking opportunities which I would not have had access to otherwise. These opportunities have strengthened Anahau's business position and propelled us to the next level of success.”

Suyen Pell
 Founder and President
 Anahau Energy

Anahau Energy, a certified woman-owned minority business enterprise based in El Segundo, Calif., was founded in 2005 to provide energy marketing and trading services. Anahau has been a natural gas supplier for both SoCalGas and SDG&E since its inception and has taken advantage of professional development and networking opportunities offered through the utilities' supplier diversity program. With a sponsorship from SoCalGas, company founder and president Suyen Pell attended the National Association of Women Business Owners Peak Leadership Academy, a capacity-building course for women entrepreneurs. In addition, through a nomination by SoCalGas, Anahau Energy was one of four minority businesses awarded “2008 National Supplier of the Year” by the National Minority Supplier Development Council.

Stakeholder engagement

At Sempra Energy we recognize that open and collaborative relationships with our stakeholders are important for our success.

In fact, being a “Responsible Partner” is a core Sempra Value. Our operations impact a wide variety of stakeholders and we work hard to create an open dialogue on issues that affect our businesses and the communities we serve. Engagement takes many forms and we are constantly seeking to improve the way we communicate to better understand the perspectives of our stakeholders.

Community and Customers // We engage with our customers and community leaders — including non-governmental organizations (NGOs) — through advertising, social media networks, Web sites, customer service call centers, community events and forums on our projects, and our corporate responsibility report. Community Advisory Councils (CACs) have been established where we have significant operations to facilitate dialogue between senior company leaders and community members.

Employees // Sempra has a variety of engagement tools to energize and inspire employees, including multi-media communications, internal Web sites, emails, newsletters, and town hall meetings with executives. We also frequently survey employees to gather their feedback.

Suppliers // We communicate with suppliers through our competitive bidding process and Supplier Code of Conduct. Sempra places a special focus on our diverse suppliers and

provides mentoring and coaching, technical assistance programs, and matchmaking opportunities to connect these suppliers with additional business opportunities.

Government and Regulators // We regularly engage with legislators directly and through our participation in trade associations on public policy issues that are important to our business. We frequently interact with regulators through one-on-one meetings, hearings, filings, and reports. For instance, in California, we are working closely with the California Air Resources Board and other agencies on the implementation of the state’s plan to regulate greenhouse gases.

Shareholders // Sempra communicates with shareholders through press releases, reports and filings, our Web site, conference calls, one-on-one meetings, and at our annual meeting. In 2009, *Institutional Investor* magazine ranked Sempra Energy and its approach to investor relations as one of America’s best among publicly traded U.S. companies.

Collaborating on Fire Safety

Wildfires in California are becoming more common. In fact, fire agencies have declared that “fire season” is virtually year-round.

SDG&E has implemented a Community Fire Safety Program to reduce the risk of fires. It includes replacing wooden poles with fire-resistant steel, increasing inspections and brush clearing, using new power line switching technology, and staging contract firefighters with utility crews.

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In 2009, we asked California regulators to approve a plan to proactively shut off power to a limited number of customers in high-risk fire areas during the most extreme weather conditions. This proposal was rejected in part because of the concerns of some stakeholders. However, regulators reaffirmed SDG&E’s authority to shut off power in emergency situations to protect public safety.

We must work as a community to improve regional fire safety. Through the Federal Mediation and Conciliation Service we are now collaborating with more than 40 stakeholders on ways to help prevent fires and reach consensus on the development of a regional fire prevention program.

We are encouraged by this stakeholder process, and believe it could serve as a model for other challenging initiatives. Learn more at www.sdge.com/firesafety.



Energy and environment

Our Priorities

- Expand the supply and availability of clean natural gas and renewable power
- Continue leadership role in energy efficiency
- Deploy smart meter technologies and develop an intelligent energy grid

At Sempra Energy, we are committed to operating our companies around the world in a way that is respectful of the environment. And we are developing cleaner energy solutions that meet the needs of our 29 million customers each day.

Climate change

As an energy company, we have a special role to play in developing innovative solutions that satisfy the growing global demand for affordable and reliable energy, while reducing the emission of greenhouse gases (GHGs) that contribute to climate change.

Sempra is actively engaged in the dialogue on climate change, and we continue to advocate for sensible U.S. federal climate and energy policies to regulate greenhouse gas emissions. We believe that establishing a predictable price for carbon coupled with a long-term commitment to energy efficiency, renewable energy, and a transition from coal to lower-carbon fuels like natural gas will lower GHG emissions, stimulate investments in new clean energy technologies and create new business opportunities. Our position on U.S. federal carbon regulation is based on four principles:

- **Revenues generated from any carbon regulation should be reinvested** in clean energy infrastructure, and not be used to subsidize high-carbon emitters like those that burn coal to generate electricity;
- **Aggressive national standards** for energy efficiency and mandated increases in the use of solar, wind, and other renewable sources of energy should be established;
- **All emitters should pay the same price** for each ton of carbon, regardless of location, and tradable rights to emit carbon should not be granted based on the historic emissions of any entity; and
- **Any carbon regulation mechanism should be efficient, transparent, and objective.**

In an era of carbon constraints, we believe natural gas — the cleanest fossil fuel — should play a more prominent role in U.S. climate and energy policy. Natural gas is widely available

today and produces approximately 50 percent fewer carbon emissions than coal, according to the U.S. Energy Information Administration. It is reliably used for heating, cooking, and transportation, as well as 21 percent of electricity generation in the U.S. Natural gas also can fuel critical back-up generation to solar and wind projects when weather conditions don't allow renewable power to be produced.

Sempra, in conjunction with the Business Council for Sustainable Energy, is leading an effort to educate policy-makers on the emissions-saving potential of natural gas coupled with renewable energy and to move responsible climate and energy legislation forward.

Greenhouse Gas Emissions

In 2009, direct and indirect greenhouse gas emissions from our California utilities and the equity share of emissions from our power plants in the U.S. and Mexico were approximately 10.6 million metric tons of CO₂ equivalent (MMTCO₂e). In addition, emissions from electricity purchased on behalf of SDG&E utility customers totaled 5.6 MMTCO₂e. This data is still undergoing third-party verification and may be revised once the independent review is complete.

Sempra's direct and indirect greenhouse gas emissions fell by approximately 5 percent in 2009 primarily due to a decrease in electricity production at our power plants and

lower customer demand. The major sources of our greenhouse gas emissions are from electricity generation and fugitive emissions from natural gas pipelines.

We are proud to report that the emissions intensity of our power generation fleet also decreased to 715 pounds of CO₂ per megawatt-hour of net generation. By selling our coal-fired generation and investing in efficient natural gas-fired power plants as well as new solar and wind energy facilities, we have reduced the emissions intensity of our power plant fleet by 34 percent since 2005. It is now approximately 46 percent below the national average.

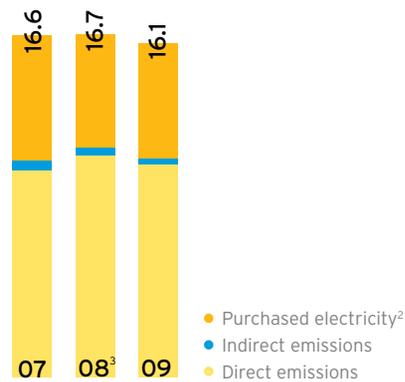
Our California utilities and wholly-owned power plants at Sempra Generation are members of the California Climate Action Registry and/or The Climate Registry, which help to create transparent and verifiable reporting standards for greenhouse gas emissions. They will continue to voluntarily report emissions to these organizations in addition to complying with new mandatory carbon-reporting requirements.

We also report our emissions annually to the Carbon Disclosure Project, an independent nonprofit organization that works on behalf of institutional investors to engage with more than 2,500 companies around the world in a dialogue on climate change and carbon reduction strategies. For more information, visit www.cdproject.net.

Emissions at a glance

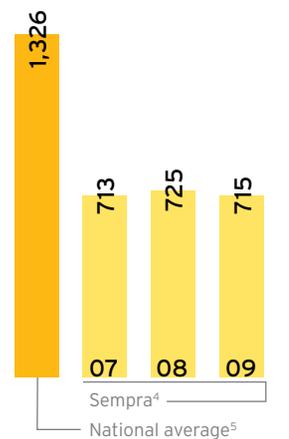
Greenhouse gas emissions¹

Million metric tons of CO₂ equivalent

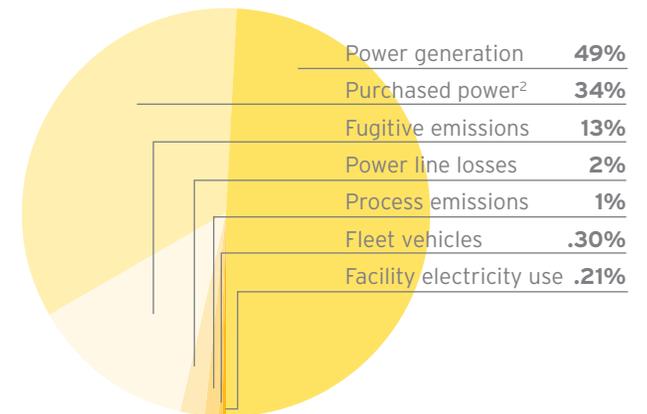


CO₂ emissions rate

Pounds of CO₂ per megawatt-hour

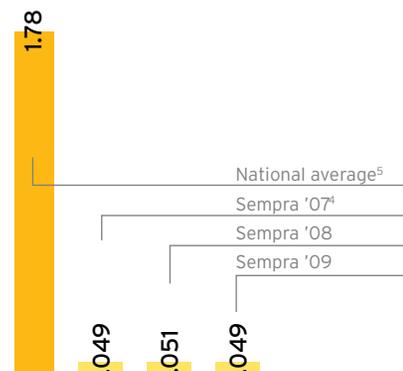


Greenhouse gas emissions by source



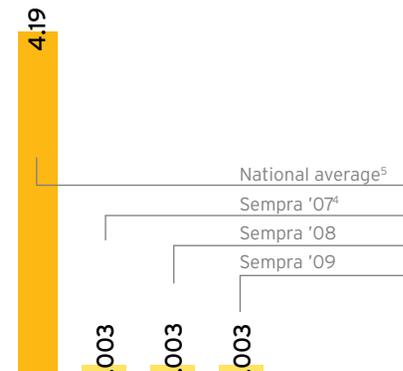
Nitrogen oxide (NO_x) emissions rate

Pounds of NO_x per megawatt-hour

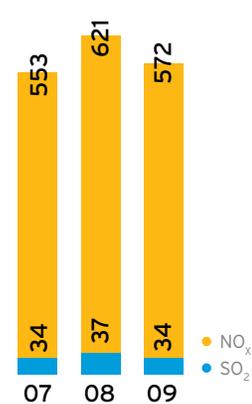


Sulfur dioxide (SO₂) emissions rate

Pounds of SO₂ per megawatt-hour



Nitrogen oxide (NO_x) and sulfur dioxide (SO₂) emissions⁶ In tons



- GHG emissions from Sempra subsidiaries Sempra LNG and Sempra Pipelines and Storage are not included
- Emissions from electricity purchased by Sempra subsidiary SDG&E on behalf of its customers
- 2008 GHG emissions have been updated following an independent verification of the data
- Emissions rate of Sempra-owned generation on an equity share basis, including the San Onofre Nuclear Generating Station (2007-2009) and Fowler Ridge II (2009)
- Source: 2008 national average calculated from U.S. Energy Information Electric Power Annual 2008
- From Sempra-owned generation on an equity share basis

Sempra's **low-carbon** model

Sempra Energy is focused on delivering a reliable supply of energy using a low-carbon model that includes natural gas, energy efficiency, renewable power, and innovative technologies. We plan to invest nearly \$15 billion over the next five years to bring these cleaner energy solutions to market.



Clean Natural Gas

We are expanding the supply and availability of natural gas, a cleaner alternative to coal.



Energy Efficiency

We are a pioneer in the use of innovative energy-efficiency programs in homes and businesses that reduce power demand and greenhouse gas emissions.



Renewable Power

We are investing in solar and wind power, and working to get 33 percent of our California utility customers' electricity from renewable sources by 2020.



Innovation

Using smart technologies, we are helping transform the power grid into an intelligent system.

Clean natural gas is the core of our business and a key component of our low-carbon energy model.

low-carbon model

Clean natural gas

Natural gas is a clean, emission-saving fuel. And the discovery of new supplies means natural gas should be available at a reasonable price, making it the fuel of choice for North America.

Sempra companies are engaged in nearly the entire natural gas supply chain, including storage, transmission, liquefied natural gas receipt terminals, and natural gas-fired power generation. Our SoCalGas subsidiary is also the largest natural gas distribution utility in the U.S.

LNG

Constructing new liquefied natural gas (LNG) terminals is one way we are expanding the supply of clean natural gas in the U.S. and Mexico. LNG is simply natural gas that is supercooled to minus 260 degrees Fahrenheit. At that temperature, the natural gas condenses into a liquid, taking up to 600 times less space. It can then be cost-effectively transported around the world by specially designed LNG carriers.

In 2009, we were honored to have Louisiana Governor Bobby Jindal join Sempra CEO Donald Felsing for the



Louisiana Governor Bobby Jindal and Don Felsing, Chairman and CEO of Sempra Energy, at the dedication of the Cameron LNG receipt terminal.

official dedication of our new Cameron LNG receipt terminal in Hackberry, La. This is Sempra's second LNG terminal in commercial operation.

The \$900 million facility is capable of processing up to 1.5 billion cubic feet of natural gas each day and can store 480,000 cubic meters of LNG in its three full containment storage tanks — enough to meet Louisiana's natural gas demand for more than three days. The project created more than 1,000 construction and nearly 60 long-term jobs, 85 percent of which were filled by local residents.

As part of the project, we worked with state and federal agencies on a plan to use 4.5 million cubic yards of dredged soil to create more than 100 acres of new wetlands habitat in the area — over twice the amount required for project mitigation.

Electricity from Clean Natural Gas

Traditional forms of electricity generation will be needed for the foreseeable future. Sempra's 3,286-megawatt natural gas-fired power generation fleet employs the latest clean-burning technologies to keep emissions low. In 2009, our SDG&E subsidiary added a new 49-megawatt gas-fired "peaker" plant called Miramar II that will operate when electricity demand is at its highest.

Gas Transmission and Distribution

The final section of the Rockies Express Pipeline (REX) was completed in 2009. The 1,679-mile project stretches from Colorado to Ohio. It is one of the largest natural gas pipelines ever constructed in the U.S. and has a capacity of approximately 1.8 billion cubic feet per day. Sempra Pipelines and Storage (SP&S) business unit owns a 25 percent stake in the joint venture with Kinder Morgan and ConocoPhillips.

SP&S also continues to expand access to clean natural gas in Mexico. Ecogas, a SP&S natural gas distribution utility, provides service to about 100,000 customers in northern Mexico, reducing the use of polluting diesel and fuel oil. SP&S has also developed 215 miles of natural gas pipelines in the region. In early 2010, the company announced the acquisition of natural gas pipeline and compression assets in several Mexican border states.

low-carbon model

Energy efficiency

Maximizing energy-efficiency opportunities in homes and businesses is an integral part of Sempra's low-carbon energy model.

452 million therms
of natural gas

saved by Sempra customers
since 1990

4.2 million megawatt-
hours of electricity

saved by Sempra customers
since 1990

A 2009 McKinsey & Co. study co-sponsored by Sempra found that the U.S. could save more than \$1.2 trillion in energy costs and cut consumption by 23 percent, while reducing greenhouse gas emissions by approximately 1.1 billion tons, through energy efficiency alone.

The report demonstrates what we've learned over several decades of experience in California: energy efficiency lowers energy costs for consumers and is a cost-effective tool to reduce the level of climate change. In fact, energy efficiency has kept California's per capita electricity consumption relatively flat for over 30 years while the rest of the U.S. has increased by nearly 50 percent. Our energy-efficiency programs have helped customers save 452 million therms of natural gas and 4.2 million megawatt-hours of electricity since 1990.

California's success with energy efficiency stems from smart decisions made by state utility regulators to "de-couple" utility profits from energy usage. Under this policy, utilities receive incentives for developing efficient energy infrastructure and encouraging energy conservation, rather than earning profits based on increased sales of electricity or natural gas.

In 2009, energy-efficiency programs offered by our two California utilities — SDG&E and SoCalGas — saved approximately 490,000 megawatt-hours of electricity, enough to power 82,000 homes for a year and 29.4 million therms of natural gas, enough to power approximately 49,000 homes for a year. Both utilities met their annual energy-efficiency goals with SDG&E achieving over 200 percent of target and SoCalGas reaching 100 percent of target.

One barrier to achieving the full potential of energy-efficiency is financing. Many building owners cannot afford to install new heating and cooling systems or more efficient lighting. Through an innovative on-bill financing program, our SDG&E subsidiary provides five-year, interest-free loans of up to \$100,000 for energy efficiency retrofits in commercial buildings and \$250,000 for government buildings. The loans, which are paid back via a surcharge on utility bills, are calculated so the monthly loan installment is offset by the energy savings. Since 2007, 280 retrofits have been completed with another 190 in the queue totaling \$11 million. A \$9 million revolving loan fund for retrofits is available over the next two years.

Sustainability on the Lesson Plan



In 2009, the California Public Utilities Commission approved a new three-year (2010-2012) energy efficiency plan for our two utilities. The combined \$563 million strategy is expected to result in cumulative electricity savings of nearly 539,000 megawatt-hours and reduce peak demand by 107 megawatts — the equivalent of a small power plant. Cumulative natural gas savings for both utilities are anticipated to reach 101 million therms of natural gas, enough to supply about 160,000 homes for a year. The programs are expected to reduce greenhouse gas emissions by an estimated 787,000 metric tons over the three-year program.

Residential whole house energy-efficiency retrofits will be a key focus in the coming years. Through the California Statewide Program for Residential Energy Efficiency, our utilities are working in partnership with community-based organizations and other third parties to maximize residential energy efficiency opportunities in support of the state's goal of reducing energy demand 40 percent in 13 million homes by 2020.

39%

**More efficient
than required by
California law**

89 tons of carbon

**emissions avoided
annually**

66%

solar powered

At the new High-Tech High in Chula Vista, Calif., students are getting a real-life education in sustainability. SDG&E's Sustainable Communities Program team collaborated with education officials and architects to incorporate energy efficiency and renewable power into the school's design.

The building is over 39 percent more efficient than required by California building codes, and is expected to save over 162,000 kilowatt-hours of energy use every year through energy-efficiency measures, preventing the release of 89 tons of carbon emissions. SDG&E also installed a 101-kilowatt solar photovoltaic system on the roof that offsets 66 percent of the building's energy use. High-Tech High Chula Vista is the first LEED® for Schools "gold"-certified project in San Diego.

The school is incorporating sustainability and environmental education into the curriculum to teach these future leaders about the importance of energy efficiency, renewable energy, and water conservation.

SDG&E's Sustainable Communities Program encourages sustainable development and integrates clean energy systems into green buildings. The team has supported the construction of 39 building projects since 2004 that save a combined 5 million kilowatt-hours of electricity and reduce carbon emissions by 4,300 tons annually. SDG&E-owned rooftop solar power systems have been installed on 13 projects, generating 1.5 megawatts of electricity.

low-carbon model

Renewable power

Turning sunlight into carbon-free electricity is playing an increasingly important role in our business.



Sempra's low-carbon energy model includes an expansion of our renewable energy portfolio through targeted investments in solar and wind power, transmission infrastructure, and emerging clean-energy technologies.

In 2009, we completed our first wind power facility, increased renewable energy deliveries to our utility customers, and broke ground on the largest solar photovoltaic project in the U.S.

The Power of Sunlight

Turning sunlight into carbon-free electricity is playing an increasingly important role in our business. Our power generation subsidiary, Sempra Generation, continues to make progress on reaching its goal of becoming the first company in the U.S. to own and operate 500 megawatts of solar power.

We recently began construction on Copper Mountain Solar, a 48-megawatt project that will produce an average of 100 gigawatt-hours of electricity each year, equal to the annual consumption of more than 14,000 average homes. The project is being built adjacent to our existing 10-megawatt El Dorado Solar facility near Boulder City, Nev. When completed in late 2010 or early 2011, the combined 58-megawatt installation is expected to be the largest

operational photovoltaic solar power facility in U.S. The two facilities will utilize nearly 1 million solar panels to generate electricity.

In Arizona, we have secured all local and state permits for Mesquite Solar, a facility that could generate up to 600 megawatts of solar power or enough electricity for 225,000 homes. Mesquite Solar is expected to be developed at the rate of 50 to 120 megawatts per year, with construction proposed to begin in late 2010 or early 2011.

Our regulated utility, SDG&E, is also awaiting regulatory approval for its \$125 million plan to install 26 megawatts of photovoltaic solar panels on sites throughout its service territory, and purchase additional locally generated solar power from third parties.

Harnessing the Wind

In 2009, we brought our first wind energy project on line in partnership with BP Wind Energy. Fowler Ridge II is a 200-megawatt wind farm near Benton County, Ind., that will generate enough electricity to power 60,000 homes annually. The project created 400 construction jobs and nine full-time positions.

We are also seeking to harness the vast wind energy resources along the U.S. – Mexico border that will play a key role in the transition to cleaner energy for both countries. We are working with U.S. and Mexican regulators on three proposed projects located about 70 miles east of San Diego:

- Energía Sierra Juárez,[®] a wind power facility in northern Baja California, Mexico, proposed by Sempra Generation could generate up to 1,000 megawatts of electricity if fully developed.
- With the Campo Band of Kumeyaay Indians and Invenergy, SDG&E is pursuing a 160-megawatt wind project on Campo's reservation lands.
- SDG&E's 500-kilovolt ECO Substation will serve as the renewable energy hub, connecting these and other wind energy projects to the power grid.

Sempra remains committed to actively engaging residents, community groups, regulators, and environmental agencies on both sides of the border to address their concerns and minimize the environmental impact of these projects.



Innovative Renewable Technologies

In 2009, we expanded our growing renewable presence through the acquisition of Auwahi Wind Energy, a proposed 21-megawatt wind energy and battery storage project in Maui, Hawaii.

The large-scale battery could store up to 10 megawatt-hours of electricity until late afternoon, when electricity consumption typically reaches its peak. The stored electricity also could be utilized to regulate and smooth intermittent wind power, providing a valuable source of grid stability.

We also began testing several advanced concentrated solar power systems as part of our efforts to commercialize renewable technologies and reduce greenhouse gas emissions. At SoCalGas' Energy Resource Center in Downey, Calif., we installed two solar technologies that use the sun's heat to power the air conditioning system, which accounts for more than 50 percent of a typical building's electrical

usage. Solar-driven air conditioning can reduce power consumption in the afternoon when electricity demand is at its peak and costs are high.

In San Diego, we installed a 20-kilowatt solar power system on a SDG&E training center that uses acrylic lenses and a dual sun-tracking system that floats on water. The technology generates electricity by concentrating the sun's rays on a glass optic that spreads the sunlight evenly over advanced photovoltaic cells. Using optical devices instead of expensive semiconductor material could reduce the cost of solar power.

Turning Onion Juice into Renewable Power



California onion juice now powers lightbulbs

thanks to a new Advanced Energy Recovery System installed at the nation's largest fresh onion processor with the help of Sempra's SoCalGas subsidiary.

The onion-to-energy facility at Gill's Onions in Oxnard, Calif., uses gas from fermented onion waste to generate enough electricity to power 460 homes using two 300-kilowatt fuel cells. The innovative technology was funded in part by a \$2.7 million incentive payment from SoCalGas as part of a state program to encourage customers to install their own clean, efficient power generation equipment. The system converts 300,000 pounds of onion waste daily into cattle feed, renewable electricity, and heat that serve the plant's processing facility, reducing greenhouse gas emissions by up to 15,000 tons per year.

SoCalGas collaborated with Gill's Onions, the Gas Technology Institute, and the California Energy Commission on the development of this innovative facility as part of its work to help its customers evaluate the cost and benefits of using new clean-energy technologies.

Our Drive to 33 Percent Renewable

SDG&E was the first utility in the continental U.S. to commit voluntarily to obtaining one-third of its customers' power from renewable sources by 2020.



In 2009, 10.25 percent of SDG&E's power supply — nearly 1.8 million megawatt-hours — came from eligible renewable sources like solar, wind, and biomass compared to just 6 percent in 2008 and less than 1 percent in 2002. These clean-energy purchases avoided the release of approximately 780,000 metric tons of greenhouse gases. SDG&E issued its 11th solicitation for renewable power in 2009 and also signed four new wind power contracts totaling 653 megawatts from facilities throughout the U.S. Southwest and Pacific Northwest.

California law currently requires utilities to obtain 20 percent of their electricity from renewable sources by 2010. SDG&E has renewable contracts in place to reach nearly 14 percent in 2010 and an estimated 26 percent in 2012, assuming all projects remain on schedule. By applying past renewable energy purchases to future years — a mechanism allowed by state regulations — SDG&E expects to comply with the 20 percent requirement in 2010. Tight credit markets, lengthy project permitting processes, and insufficient transmission capacity remain key challenges to getting sufficient capacity installed to meet our clean energy goals.

Update on the Sunrise Powerlink

Our 120-mile Sunrise Powerlink electric transmission line remains on track for completion by 2012. The nearly \$1.9 billion project will be capable of delivering up to 1,000

megawatts of renewable energy from the Imperial Valley to the San Diego region and create up to 500 construction jobs. It was approved by the California Public Utilities Commission in 2008 and Bureau of Land Management in 2009. We continue to work with various agencies, including the U.S. Forest Service, to secure final permits for the project.

In 2009, we established seven community councils along the Sunrise Powerlink route to enhance communication with local residents and discuss ways to minimize the impacts on homes and businesses during construction, which is scheduled to begin in mid-2010. SDG&E also opened the Renewable Energy Resource Center in Imperial Valley to help facilitate the development of the region's vast clean energy resources.

low-carbon model

Innovation



Investment in innovation such as the smart grid is the fourth element of Sempra's low-carbon energy model.

By adding intelligence to the nation's 100-year-old energy grid, we are helping transform the way energy is generated, delivered, and used. The future smart grid will:

- Give customers more control over their energy usage, while incentivizing energy efficiency
- Reduce carbon emissions by integrating more renewable power sources
- Increase reliability and improve service to our customers

Smart Meters

Digital smart meters enable two-way communication between the utility and customer, and serve as the foundation for the smart grid.

Since 2008, our SDG&E subsidiary has installed more than 800,000 smart meters at customer homes and businesses. All 2.25 million electric and gas meters are expected to be installed by 2012, making SDG&E one of the first utilities in

the U.S. to fully deploy smart meter technology in its service territory. Additionally, SoCalGas received approval in April 2010 for its \$900 million plan to upgrade 6 million natural gas meters by 2017.

Smart meters create a variety of environmental benefits and operational efficiencies. Research shows that when people know how much energy they are using, they conserve 5 to 10 percent. And by automating meters we expect to reduce vehicle miles by about 9 million annually, preventing the release of more than 4,000 metric tons of carbon emissions each year.

Google It

As part of our smart grid initiative, we are seeking ways to give our customers more choice and control over their energy usage. In 2009, we announced a program with Google that enables SDG&E customers with smart meters to securely access daily electric data using the Web-based Google PowerMeter. Customers can view charts that display their prior-day's energy usage hour-by-hour.

Getting "Plug-in" Ready

We believe alternative transportation fuels like electricity are essential to improving the environment and enhancing energy security. Manufacturers are ramping up production



The Nissan LEAF made its San Diego debut at a press conference at SDG&E's headquarters.

of electric vehicles. But the movement toward low-carbon mobility could short-circuit if the power grid is not plug-in ready.

We have partnered with Nissan and ECoTality to launch the largest transportation electrification project in U.S. history. ECoTality — in coordination with our SDG&E subsidiary — will use state and federal grants to install about 2,400 home, public, and commercial charging stations beginning in 2010. And to accelerate adoption, we're working with fleet operators to bring at least 1,000 new Nissan LEAF all-electric vehicles to San Diego, making the region a nationwide leader in clean transportation.

Integrating advanced electric vehicles and the charging infrastructure is a key component of SDG&E's smart grid initiative. Using future vehicle-to-grid technology, electric cars could serve as rolling energy storage systems capable of delivering electricity to the grid when it's needed most.

Learn more at www.sdge.com/smartgrid/videos.shtml

Environmental performance

Environmental Stewardship

Environmental stewardship is core to Sempra's business approach. We maintain rigorous environmental management systems to track our progress.

For example, in 2009 we implemented a new program at our SDG&E subsidiary requiring a comprehensive evaluation of potential impacts to sensitive environmental and cultural resources before any project that results in ground disturbance can begin. Over 430 projects were reviewed in 2009 using a new digital mapping and environmental data management system.

Sempra is also working to reduce the impacts of wind turbines on birds and bats. We are collaborating with the San Diego Zoo on a multi-year study using specialized global positioning system (GPS) technology to help us better understand the flight patterns of the California Condor and the Golden Eagle along the U.S. – Mexico border, and near our proposed Energía Sierra Juárez wind facility. With the Mexico-based Instituto de Ecología (INECOL) we are assessing the flight and migratory patterns of other birds and bats in the area.

Improving Energy Efficiency

At Sempra, we are making investments to improve energy efficiency in our operations and reduce carbon emissions.

We made progress on our goal to reduce fleet vehicle emissions at our California utilities 15 percent by 2012 compared to a 2007 baseline. By using more than 1,100 alternative-fuel vehicles and providing training for employees to maximize fuel efficiency, we reduced fleet greenhouse gas emissions 5.9 percent in 2009 compared to the baseline, or 3,290 metric tons.

Reducing electricity consumption remains a priority for our California utilities. In 2006, we set a goal to reduce electricity use 20 percent at the largest employee-occupied facilities by 2015 compared to a 2003 baseline. Energy efficiency improvements have made a significant impact. With the exception of the utilities' two large data centers, which have unique efficiency challenges, 2009 energy usage was 23 percent below the baseline. In 2010, we will strengthen our energy-management strategies at the data centers and develop a separate goal for these specialized operating facilities, while continuing to monitor and further reduce energy use at other offices.

LEEDership in sustainable building design



In 2009, Sempra received LEED® “silver” certification for the renovation of its San Diego corporate headquarters. Leadership in Energy and Environmental Design (LEED) is a program of the U.S. Green Building Council that certifies high-performing green buildings that integrate sustainable practices such as efficient lighting and water systems, waste-minimization programs, and the use of recycled materials during construction. Sempra now has eight LEED-certified buildings.

Water

Electricity generation can be a water-intensive process. Semptra's power generation assets are located in the desert regions of the Southwest U.S. and northern Mexico where water is a critical resource and major strategic issue for the energy industry.

Semptra's generation facilities withdrew approximately 2.7 billion gallons of fresh water in 2009. Our power plants also used nearly 2.5 billion gallons of reclaimed and on-site wastewater in their operations, helping to reduce impacts on fresh water supplies. Approximately 656 million gallons of fresh and reclaimed water were discharged in strict adherence with our environmental permits and water quality laws.

Many of our power plants employ water-saving technologies, including:

- The 480-megawatt El Dorado power plant near Boulder City, Nev., uses dry-cooling, which requires more than 90 percent less water to produce power than traditional wet-cooled power plants.
- The 560-megawatt Palomar Energy Center in Escondido, Calif., uses reclaimed water (treated wastewater) to generate electricity. This process saved more than 927 million gallons of fresh water in 2009.

In 2009, we set a goal to reduce water use in our largest California utility offices by 15 percent, compared to a 2008 baseline. Through water-efficiency improvements we reduced consumption 20 percent compared to the baseline. And at 107 landscaped substations, the installation of weather-based irrigation controllers resulted in a 59 percent reduction in water usage in 2009 compared to a 2003 baseline. Combined, these initiatives saved 42 million gallons of water in 2009.

Sewage cleanup cools plant



Our power plants also used nearly 2.5 billion gallons of reclaimed and on-site wastewater in their operations, helping to reduce impacts on fresh water supplies.

The 625-megawatt Termoélectrica de Mexicali (TDM) power plant in Mexicali, Mexico, is an example of one way Semptra is responsibly managing its impact on the water supply. Instead of using limited supplies of local fresh water to generate electricity, Semptra partnered with the Comisión Estatal de Servicios Públicos de Mexicali on a plan to send untreated sewage via an underground pipeline to TDM's on-site water treatment plant.

Approximately 1.6 billion gallons of sewage is processed each year, and the resulting water is used to cool the plant and in other facility operations. TDM then sends the cleaned, irrigation-quality water to the Rio Nuevo (New River), which has been considered one of the most polluted rivers of its size in the U.S. Prior to TDM, the untreated sewage was pumped directly into the river, which flows north across the U.S.-Mexico border to the ecologically sensitive Salton Sea in Imperial County, Calif.

2009 Recycling Highlights

Metal and meters

14.2 million pounds

Lead cable

25,080 pounds

Paper and cardboard

1.36 million pounds

Electric transformers

5,735 units

Transformer oil

381,945 gallons

Recycling

Sempra's recycling programs divert waste from rapidly filling local landfills and help limit the impact on natural resources. The programs also generated more than \$4.1 million in revenue for the company in 2009.

Compliance

Each Sempra business unit is held strictly accountable for meeting all environmental regulations, laws, and permits. They are required to have detailed compliance plans in place that include extensive training, monitoring, and performance verification.

Sempra's capital expenditures to comply with environmental laws, regulations, and permits in 2009 were \$84 million, including environmental mitigation measures, improvements to electric and natural gas systems, and emissions-control equipment.

We received 11 notices of violation (NOVs) that were not self-reported from governmental agencies in 2009, and fines and penalties totaling \$23,993. Five air-related enforcement actions were for administrative errors and inadequate water pump engine ventilation systems. We received two water-related NOVs, one for exceeding effluent limitations at a power plant and the second for improperly removing water from an underground electrical vault near a storm drain at another location. Three NOVs were for minor system and alarm failures during testing of underground storage tanks. One NOV for improperly labeling a hazardous waste drum was also received.

Environmental Compliance

	2007	2008	2009
Agency Inspections	266	301	403
Notices of Violation (NOV) ¹	9	6	11
Percentage of inspections with no NOV issued	97%	98%	97%
Fines and penalties ²	\$14,750	\$27,261	\$23,993
Internal compliance assessments and audits	238	325	329

¹ Self-reported violations are not included

² Does not include settlements

In 2009, we also settled litigation brought by the Los Angeles Regional Water Quality Control Board with respect to an NOV received in 2005 for allegedly grading portions of a maintenance road in Sullivan Canyon without a dredge and fill permit under the Clean Water Act. As part of the settlement, we paid \$425,000 to the Regional Water Quality Control Board and \$100,000 to Santa Monica Bay Restoration Foundation for a supplemental environmental project to restore a creek on the University of California, Los Angeles campus.

Hazardous Waste^{1,2} in tons

2007	2008	2009
20,695	6,678	2,187

¹ As defined by U.S. and Mexico federal regulations

² The decline in hazardous waste since 2007 is due to less contaminated soil disposal from manufactured-gas plant sites undergoing remediation

We continue to make progress on a 1990 voluntary agreement with the California Department of Toxic Substances to cleanup 42 historic manufactured-gas plant sites in Southern California. Since 1990, we have remediated 35 of the 42 sites subject to the voluntary cleanup agreement. Our Mobile Gas subsidiary is also developing a remediation plan for a manufactured-gas plant site in Mobile, Ala., with the Alabama Department of Environmental Management, utility regulators, and community leaders.



Our employees

Priorities

- Provide a safe and healthy workplace environment for employees
- Invest in our employees and maintain a skilled and diverse workforce
- Maintain good relationships with our labor unions

Sempra Energy's commitment to corporate responsibility extends to developing a diverse, well-trained, and safe workforce. Our 13,800 employees around the globe are the key to our success.

Safety

We strive to create a culture of safety excellence based on trust and personal accountability.



We are not satisfied unless each of our employees and contractors returns home safely each night. We are committed to being among the best in our industry and while we have made improvements, we recognize that we still have work to do.

We are saddened to report that two SoCalGas employees were shot and killed by a former employee. Although this was an isolated criminal event, we have revisited our policies and practices related to violence in the workplace to ensure that we maintain a safe work environment for employees and respond effectively to such emergencies. In addition, one of our contractors unfortunately suffered a fatal electrical contact. We take contractor safety seriously and have requirements for training, safety briefings, and orientation before beginning work on a site.

In 2009, we had fewer injuries and these injuries were less severe as compared to 2008. Our Occupational Safety and Health Administration (OSHA) recordable incident case rate and lost work time case rate both decreased. The improvement is driven, in part, by a 22 percent reduction in the recordable incident rate at SDG&E. This reduction was due to overall improvement in safety performance with decreases across all injury classifications, resulting in 37 fewer injuries than in 2008.

Safety Performance

	2007	2008	2009
Employee work-related fatalities	0	1	2 ¹
Employee OSHA recordable incident case rate ²	4.70	4.62	4.42
Employee lost work time case rate ³	1.35	1.50	1.26

¹ Two SoCalGas employees were shot and killed by a former employee. While the incidents were not directly related to utility operations, deaths related to violence in the workplace are classified as work-related fatalities by OSHA.

² The number of recordable injuries or illnesses per 100 full-time workers

³ The number of lost time cases per 100 full-time workers

We are proud of our 2009 safety achievements. Two of our power plants, operated by Sempra Generation, were designated as Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) worksites. VPP is OSHA's official recognition of the outstanding efforts of employers and employees who have implemented exemplary health and safety programs and procedures.

SDG&E and SoCalGas fully deployed the Supervisor Enablement Initiative, designed to increase the amount of time supervisors spend in the field observing and promoting safe behavior. As part of the program, supervisor vehicles were equipped with mobile data terminals and wireless

technology that allows them to access information directly from their work sites instead of having to return to the office to complete administrative tasks.

In 2010, we are focused on continuing to improve safety performance across our businesses. Our California utilities, which employ nearly 90 percent of Sempra's total workforce, have developed the 2010 Challenge — a new initiative that aims to reduce controllable motor vehicle accidents 20 percent and overall injuries by 10 percent. This would equate to 50 fewer individuals being injured on the job. To achieve these improvements, we are increasing training to address both the physical and behavioral aspects of safety and continuing to focus on creating greater personal accountability and responsibility for safety at all levels of the organization.

Wellness and diversity

Our Energy for Life wellness programs are designed to promote safe and healthy lifestyles by providing resources, information, and supportive services for employees.



Health seminars and lectures are offered throughout the year on topics such as stress management, healthy eating, and disease prevention, while an online lending library provides employees with easy access to a wide variety of materials on health-related topics. We encourage our employees to remain physically fit through a fitness subsidy program and exercise programs offered at our principle work locations. Free annual flu immunizations are also available to employees.

Diversity

Sempra Energy is committed to creating a work environment where diversity is a priority and each employee can reach their full potential. We actively work to attract and retain a diverse workforce that is representative of the communities we serve.

The Discrimination and Harassment Free Workplace Policy outlines our commitment to diversity in the workplace and expectations for employees to create a work environment free from discrimination. We have clear complaint reporting procedures in place and provide multiple avenues to report

instances of harassment and discrimination that are detailed in our Code of Business Conduct. Respecting and appreciating each other's differences is part of our corporate culture.

Our commitment to diversity has produced positive results. More than 50 percent of our workforce is comprised of minorities while over 30 percent of employees are women, with these percentages remaining stable over the last few years. We continually strive to increase diversity throughout the company, and provide mentoring and coaching to ensure all employees are given the chance to succeed and move up within the organization.

In 2009 we launched an Employee Diversity Council, comprised of over 30 employees from throughout the Sempra Energy family of companies. Employee Diversity Council members serve as ambassadors of Sempra's Values within the company and in the community; work to make recommendations for addressing diversity issues that impact employees, customers, and other stakeholders; and serve as a general resource for diversity in their respective businesses.

Sempra Energy U.S. Workforce Demographics

	2007	2008	2009
Women			
Percent of Workforce	31%	31%	31%
Percent of Management	34%	34%	35%
Percent of Directors and above ¹	27%	27%	25%
Minorities			
Percent of Workforce	53%	53%	52%
Percent of Management	42%	42%	42%
Percent of Directors and above ¹	17%	17%	19%
Workforce Diversity			
Hispanic	33%	33%	32%
Black	10%	10%	10%
Asian	10%	10%	10%
Native American	1%	1%	1%

¹ Directors and above represent the top 2 percent of the company

Labor relations and development

More than half of the U.S. workforce in the Sempra companies is represented by one of four labor unions.

These include the Utility Workers Union of America and International Chemical Workers Union Council (with a total of eight Locals) at SoCalGas, the International Brotherhood of Electrical Workers (IBEW) Local 465 at SDG&E, and the United Steelworkers at Mobile Gas. We value the relationships that we have with our unions and strive to achieve outcomes that are good for employees, customers, the company, and our unions.

A new collective bargaining agreement was negotiated in early 2009 for SoCalGas, while renegotiations will take place in 2010 for SDG&E and Mobile Gas unions. In addition to general contract negotiations, we work closely with our unions on a wide range of issues during the normal course of operations.

Many projects at our utilities are focused on using new technologies to better serve our customers and make our business more efficient overall. We are committed to working with our unions to provide our workforce with the necessary training to ensure their success with these new technologies and mitigate any adverse impacts for employees whose jobs are phased out as a result of these changes. For example, smart meter initiatives at SDG&E and SoCalGas will automate the collection of customer energy consumption data. We have reached an agreement with the IBEW at SDG&E to offer new job opportunities and training for meter readers. Similar discussions are ongoing at SoCalGas.

Development

Maintaining a skilled workforce is critical to the growth and long-term success of Sempra Energy. We strive to provide an inclusive and professional work environment, challenging assignments, and a variety of development opportunities. We also work within our communities to ensure we have a pipeline of qualified workers in place to lead our company into the future.

We have been working to evolve the model for training at the company. Instead of using only traditional classroom-style systems of course delivery, we are moving toward modularized, just-in-time training, with a Web-based delivery system. This allows employees easy access to training when they need it.

In addition to the wide range of training opportunities that we offer on a continual basis, we have recently implemented several programs to identify and support our emerging leaders:

- The Leadership Insight program identifies and develops employees with leadership potential and also provides employees with the tools they need to reflect on their leadership skills and recognize both their strengths and development needs
- Building on Strengths identifies high potential employees and brings them together to solve an issue the company is facing. Participants work with an executive sponsor and present their findings to other company leaders

We also encourage employees to pursue educational opportunities outside of the company. In 2009, 450 employees participated in the Professional Development Assistance program, which provides up to \$5,250 annually to cover education expenses for employees working toward degrees or certificates.

Employee engagement and communication

We continually look to our employees to provide feedback on their satisfaction in the workplace and for ways to improve their experience at the Sempra Energy family of companies.



In late 2009, all employees were asked to complete a survey to assess employee engagement, a measure of employees' overall satisfaction, commitment, advocacy, and pride in the organization and their work here.

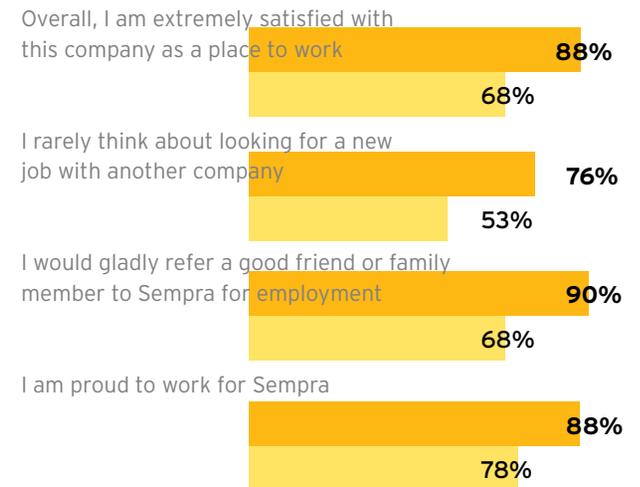
The survey results indicate engagement across all business units is very high. Eighty-five percent of respondents answered 'agree' or 'strongly agree' to the engagement questions. This is almost 20 percentage points higher than the external benchmark of other Fortune 500 companies, and places Sempra at the 85th percentile. According to the survey results, employees generally feel optimistic about the future of Sempra, are proud to be a part of the company, and have a high trust of senior management.

The survey data also helped to identify areas of improvement to maintain and enhance employee engagement and satisfaction levels. First, the survey found that effective communication is critical to employee engagement and employees feel a strong desire to be well informed. Two-way communication, especially between employees and their immediate manager or supervisor, is also particularly important in determining employee satisfaction levels. In addition, employees want to feel that the company values their contributions through both formal and informal forms of recognition.

We work hard to keep employees well informed of the company's future plans and business priorities and have initiated town hall meetings and dialogue sessions that connect employees with company executives and increase communication on topics of interest. In 2009 we held town halls on 14 different topics such as Sempra's quarterly financial performance and updates on infrastructure projects. We will continue to work toward enhancing overall communication with employees in addition to creating action plans at the organization and manager level to further address areas for improvement identified in the survey.

Employee engagement survey highlights

● Sempra ● Fortune 500 external norm



¹ Fortune 500 external benchmark numbers were provided by our survey vendor and represent results from approximately 100 Fortune 500 companies



Community partnerships

Priorities:

- Support and engage our communities
- Work with community partners to support programs that help meet community needs in the areas of environment, education, emergency preparedness, and economic development
- Encourage and facilitate employee volunteerism

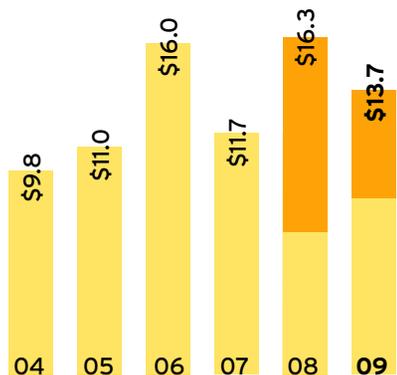
While Sempra's primary role in the community is to provide safe and reliable energy services, we also seek to contribute to the well-being and economic development of the communities where we operate.

Philanthropy and **partnerships**

In 2009, we contributed \$13.7 million in grants to nonprofit organizations through the Sempra Energy Foundation and Sempra's corporate giving program.

Sempra Energy and Sempra Energy Foundation community giving

● Sempra Energy Foundation ● Sempra Energy



While we strive to contribute 1 percent of pre-tax operating income annually to support our communities, this year our giving totaled .93 percent of pre-tax operating income. We are committed to providing support to underserved communities and focus on funding partnerships in the areas of the environment, education and leadership development, and emergency preparedness and safety. We also encourage the economic vitality of our communities through the support of chambers of commerce, economic development organizations, and industry associations.

Education and Leadership Development

Sempra Energy and the Sempra Energy Foundation support programs that help to develop our future leaders, provide education on the environment and sustainability, and promote success in the areas of math, science, and technology.

“Sempra is an invaluable partner in Birch Aquarium’s multi-faceted efforts to educate the public on the causes and consequences of global climate change, as well as actions we can take to mitigate this problem.”

Nigella Hillgarth
 Director, Birch Aquarium at
 Scripps Institution of Oceanography

The Sempra Energy Foundation has created Math, Science, and Agricultural Alliances in communities where we operate that provide teachers with resources to create innovative ways to motivate students in these fields of study. The Alliances have helped to create unique lesson plans, special projects that provide students with hands-on learning experiences, and funding for equipment such as computers and microscopes.

1 Includes one-time \$5 million contribution to Ensenada Trust
 2 Includes one-time \$5.2 million contribution to individuals and families affected by the 2007 southern California wildfires

Sempra Energy works with local leaders in the U.S. and Mexico to develop and support innovative programs that help keep our communities safe and prepared for when emergencies happen.



A firefighting helicopter was made available by SDG&E to San Diego fire officials in 2009.

We have placed a special focus on educational programs that increase environmental awareness and provide opportunities for students to learn about how to protect and preserve natural resources and serve as ambassadors for a sustainable future. In 2009, we partnered with PROBEA, a bi-national collaboration among U.S. and Mexican partners sponsored by the San Diego Natural History Museum. PROBEA designs innovative curriculum and trains educators to motivate teachers, students, and volunteers to participate in much-needed projects that benefit their local environment. PROBEA operates in San Diego, the entire peninsula of Baja California, Mexico, and the Northwestern states of Mexico.

Emergency Preparedness and Safety

Sempra Energy works with local leaders in the U.S. and Mexico to develop and support innovative programs that help keep our communities safe and prepared for when emergencies happen.

In 2009, Mobile Gas partnered with the American Red Cross, Alabama Gulf Coast Chapter, to offer CPR-certification classes to train citizens to be able to respond to medical emergencies in their communities.

We continued our partnership with the San Diego/Imperial Valley Chapter of the American Red Cross by providing funding for the Prepare San Diego program, which aims to prepare 500,000 residents over the next three years to cope effectively in the aftermath of a disaster. The program will also help increase the number of individuals the Red Cross can shelter from 5,000 to 100,000 and develop a mass care support structure for "shelter in place."

An extended drought in California has made the state particularly vulnerable to wildfires, while budget cuts have put increased pressure on fire department resources. We are working closely with local volunteer fire departments, Fire

Safe Councils, and Community Emergency Response Teams to provide them with the resources they need to help protect our communities. In 2009:

- SDG&E provided funds to over 30 Fire Safe Councils and Community Emergency Response Teams in San Diego County to support outreach and education programs, the development of community wildfire protection plans, and volunteer recruitment and retention.
- The Sempra Energy Foundation provided grants to each of San Diego's 28 volunteer fire departments to help purchase needed equipment such as hoses, nozzles, and protective clothing.
- SDG&E made a firefighting helicopter available for use by fire departments in the San Diego region for the 2009 fire season. The helicopter has a water carrying capacity of more than 2,500 gallons- six times the capacity of each of the City of San Diego's two fire helicopters.

Supporting Environmental Champions

In 2009, the Sempra Energy Foundation initiated the Environmental Champions Award, designed to recognize and support nonprofit groups focused on natural resource protection and conservation, environmental education, and environmental health and safety. In total, \$1 million in grants were awarded to 30 Southern and Central California nonprofit groups.



San Diego Audubon Society San Diego Children and Nature Collaborative // The San Diego Audubon Society has been bringing people and nature together for over 60 years. The Environmental Champions grant will support the San Diego Children and Nature Collaborative, a group of over 50 community-based organizations, co-founded by the Audubon Society, working together to inspire communities to reconnect kids and families to the natural world.

OpenOceans Global // Open Oceans Global is dedicated to resolving ocean-related issues by aligning communities around action-oriented projects. The Tijuana River Valley Mapping program is a collaboration of more than 30 federal, state, and local agencies from the U.S. and Mexico and will engage four action teams to implement an innovative recovery and restoration plan for the Tijuana River Valley.

TreePeople // The Forest Aid program partners TreePeople with the San Bernardino National Forest Association to provide innovative approaches to wildfire restoration, train and deploy volunteers, and teach the public how local wilderness areas provide essential benefits for urban ecosystems. With the help of the Environmental Champions grant, Forest Aid will recruit 2,500 volunteers to plant 20,000 seedlings in Southern California forests in 2010.

Channel Islands Restoration // Channel Islands Restoration protects rare and endangered plant species by restoring habitat in sensitive and unique natural areas on the California Channel Islands and adjacent mainland. The Environmental Champions award will fund educational field trips for about 300 low-income Ventura County students to Anacapa Island in Channel Islands National Park.

Employee volunteerism

Sempra is proud of the commitments that our employees have made to our communities both on and off the job.



We work to mobilize employees to contribute their time and financial resources to the community and also recognize the work employees are already doing through matching grant and incentive programs for volunteers.

The Sempra Employee Giving Network is a charitable organization formed to facilitate employee support of community-based charitable groups through one-time or ongoing payroll deductions. Employees can donate to the charity of their choice or to local advisory councils that distribute funds to charitable organizations. In 2009, we focused on increasing membership in the Giving Network through three focused campaigns where employee contributions were matched by the Sempra Energy

Foundation. As a result, membership in the Giving Network increased by 43 percent, with members contributing over \$670,000 to more than 700 charities.

The Challenge Grant program was launched in 2009 to encourage employees to participate in walks, runs, and other special events that raise funds for health and human services organizations. Sempra Energy and the Sempra Energy Foundation contribute matching funds to further the donations of our employees. Nearly 2,000 employees participated in day-of-event activities and hundreds more gave their time, talents, and money, which ultimately raised over \$200,000 to benefit important causes like the American Cancer Society and the Navy Morale and Welfare Division.

One event that brings employees from across our company together to serve their communities is the annual Coastal Cleanup Day. Building on the International Coastal Cleanup Day sponsored by the Ocean Conservancy, we recruited a record 1,500 volunteers in 2009 to help pick up trash and debris at 15 sites in California, Mexico, Louisiana, and Alabama.

VIP increases impacts

One way the Sempra Energy Foundation supports the work of our employees in the community is through the Volunteer Incentive Program, which provides grants to charitable organizations where our employees volunteer at least 10 hours per year. Steve Anderson, a senior materials engineer and 23-year SoCalGas veteran, takes part in this program, increasing the impact of his volunteer time and providing even more resources to his selected organization. Steve, along with other SoCalGas employees, volunteered to teach workshops at Summer Science Camp at a school in Buena Park, Calif. The TEAM Science program urges students to pursue careers in science and technical industries, and features hands-on learning experiments on clean energy. Thanks to the SoCalGas volunteers, the Sempra Energy Foundation awarded TEAM Science a grant to further support their efforts.



“I give and I volunteer. And as a result, the Sempra Energy Foundation supports the groups I work with, too. It’s nice to be able to give back.”

Steve Anderson
Senior Materials Engineer,
SoCalGas

Helping people in need

This past year was unique, with communities and individuals facing new challenges as a result of the financial crisis and recession.

While we typically focus our giving in select areas, we also recognize the need to adapt our giving strategy to ensure we are contributing our resources where they are needed most.

96,000

homes weatherized

\$1 million

donated to support 65 organizations that help people in need

Through the Helping People in Need initiative and employee matching grant program, Sempra Energy and the Sempra Energy Foundation dedicated \$1 million to support 65 organizations that provide for the everyday basic needs of community members who need a helping hand.

The initiative also expanded efforts to support programs that provide financial assistance to customers struggling to pay their utility bills. Our utilities have a longstanding commitment to provide support to income-qualifying customers through bill assistance and weatherization programs and work to connect customers with agencies that can help during times of financial crisis.

In 2009, we focused on increased communications to our customers about these programs, with a focus on the newly unemployed who may not have previously qualified for help. We increased advertising, went door-to-door, and worked with community-based organizations to reach those in need. SDG&E and SoCalGas also teamed up with the California Public Utilities Commission and other investor-owned utilities in California to coordinate “We CARE” California resource fairs to offer attendees a one-stop-shop for information on how to save money on utility bills in addition to providing connections to career planning and financial counseling services.

- The Neighbor-to-Neighbor fund at SDG&E and the Gas Assistance Fund at SoCalGas provide one-time grants to customers facing temporary hardship who do not qualify for federal or state programs. The grants are funded by employees, shareholders, and utility customers. In 2009, an additional \$500,000 was allocated to these programs through the Helping People in Need initiative.
- In California, the California Alternative Rates for Energy (CARE) program provides qualifying customers a 20 percent discount on their monthly energy bill. In 2009 at both utilities, more than 1.8 million customers were enrolled in the program, compared to nearly 1.7 million in 2008.
- Low-income energy efficiency programs at SoCalGas and SDG&E help customers to save on their bills through no-cost home energy education, home weatherization, and appliance repair and replacement services. In 2009 more than 96,000 homes were visited by energy-efficiency professionals and upgraded with improvements like attic insulation, door weather-stripping and caulking, energy-efficient lighting, and low-flow showerheads and faucet aerators.

Performance data

An index of GRI indicators can be found on our Web site at www.sempra.com/cr

	2007	2008	2009
Financial Highlights			
Revenues (millions of dollars)	11,438	10,758	8,106
Earnings (millions of dollars) ¹	1,099	1,113	1,119
Earnings per diluted share (dollars)	4.16	4.43	4.52
Total assets (millions of dollars)	28,717	26,400	28,512

Governance & Ethics

Number of Board directors	11	12	12
Number of independent Board directors	9	10	10
Independent Board directors who are women or minorities (% of independent directors)	33	40	40
Ethics and Compliance Helpline calls	103	129	146

Our Employees

Number of employees	13,500	13,600	13,800
Employee work-related fatalities ²	0	1	2
Recordable injury case rate (per 100 full-time workers)	4.70	4.62	4.42
Employee lost workday case rate (per 100 full-time workers)	1.35	1.50	1.26
Women in workforce (% of U.S. employees)	31	31	31
Women in management (% of U.S. employees)	34	34	35
Minorities in workforce (% of U.S. employees)	53	53	52
Minorities in management (% of U.S. employees)	42	42	42

¹ Earnings from 2007 include a \$26 million loss from discontinued operations

² In 2009 two SoCalGas employees were shot and killed by a former employee. While the incidents were not directly related to utility operations, deaths related to violence in the workplace are classified as work-related fatalities by OSHA.

³ 2008 includes one-time contribution of \$5.2 million to individuals and families affected by the 2007 Southern California wildfires

⁴ Covers spending on diverse business enterprises at SDG&E and SoCalGas only

⁵ Power purchased on behalf of San Diego Gas & Electric customers

⁶ Self-reported violations are not included

⁷ Emissions rate of Sempra-owned generation on an equity share basis, including the San Onofre Nuclear Generating Station (2007-2009) and Fowler Ridge II (2009)

⁸ As defined by U.S. and Mexico federal regulations

	2007	2008	2009
Community Partnerships			
Sempra Energy and Sempra Energy Foundation giving (millions of dollars) ³	11.7	16.3	13.7
Spending on diverse business enterprises (% of total spending) ⁴	25.9	30.1	31.4

Environment

Renewable energy deliveries (% of previous year total sales) ⁵	5.23	6.14	10.25
Agency inspections	266	301	403
Notices of violation (NOV) ⁶	9	6	11
Inspections with no NOV issues (% of total inspections)	97	98	97
Fines and penalties (dollars)	14,750	27,261	23,993
Internal compliance assessments and audits	238	325	329
Direct greenhouse gas emissions (mmt CO ₂ e)	9.91	10.69	10.19
Indirect greenhouse gas emissions (mmt CO ₂ e)	.535	.472	.384
Greenhouse gas emissions from SDG&E purchased power (mmt CO ₂)	6.19	5.49	5.57
CO ₂ emissions rate for power generation (lbs/MWh) ⁷	713	725	715
NO _x emissions from power generation (tons)	553	621	572
NO _x emissions rate from power generation (lbs/MWh) ⁷	.049	.051	.049
SO ₂ emissions from power generation (tons)	34	37	34
SO ₂ emissions rate from power generation (lbs/MWh) ⁷	.003	.003	.003
Potable water used in power generation (billions of gallons)	2.9	2.8	2.7
Reclaimed and on-site wastewater used in power generation (billions of gallons)	2.3	2.5	2.5
Returned potable and reclaimed water (millions of gallons)	650	687	656
Hazardous waste (tons) ⁸	20,695	6,678	2,187



Contact information

Stakeholder feedback is a critical aspect of our approach to corporate responsibility. Please contact us if you have comments you'd like to share with us about the report or any of our sustainability programs. We look forward to continuing the dialogue.

Randall L. Clark

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A sample of 2009 awards and recognition

No. 2 among electric and gas utilities on *Fortune* magazine's "Most Admired" list

Expansión Magazine 500 most important companies in Mexico

Ranked No. 1 on UtiliQ's "Most Intelligent Utilities" list

Sempra named to "*InformationWeek* 500" list

Ethisphere Institute's "World's Most Ethical Companies"

Ranked No. 3 on *HispanicBusiness* magazine's "Top 25 Supplier Diversity Companies" list

Utility of the Year award from the Greater Los Angeles African American Chamber of Commerce (GLAAAC) for supplier diversity

2009 Corporation of the Year award from the San Diego Regional Supplier Development Council

Corporate Community Leadership Award from the California Black Chamber of Commerce for supplier diversity

Human Rights Campaign – Corporate Equality Index 100% Score

Named to *Black Enterprise* magazine's list of "40 Best Companies for Diversity"

SoCalGas ranked "Highest in Customer Satisfaction with Residential Natural Gas Service in the Western United States," according to the 2009 study by J.D. Power and Associates*

SoCalGas and SDG&E ranked No. 1 in investor-owned utility customer satisfaction by the American Customer Satisfaction Index.

SDG&E won PA Consulting Group's "ReliabilityOne" award for the fourth year

SDG&E awarded Maltese Cross by San Diego County Fire Chiefs Association for the 2009 Community Fire Safety Program

*J.D. Power and Associates 2009 Gas Utility Residential Satisfaction Study™. Study based on 54,405 total interviews with US residential natural gas customers surveyed between July to September 2009 measuring 15 utilities in nine western states. www.jdpower.com.

This report contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like "believes," "expects," "anticipates," "intends," "plans," "estimates," "may," "would," "could," "should," or similar expressions, or discussions of strategies, plans or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the California Public Utilities Commission, California State Legislature, California Department of Water Resources, Federal Energy Regulatory Commission, Federal Reserve Board, and other regulatory and governmental bodies in the United States, the United Kingdom and other countries; capital market conditions and inflation, interest and exchange rates; energy and trading markets, including the timing and extent of changes and volatility in commodity prices; the availability of electric power, natural gas and liquefied natural gas; weather conditions and conservation efforts; war and terrorist attacks; business, regulatory, environmental and legal decisions and requirements; the status of deregulation of retail natural gas and electricity delivery; the timing and success of business development efforts; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. These risks and uncertainties are further discussed in the reports that Sempra Energy has filed with the Securities and Exchange Commission. These reports are available through the IDEA system without charge at the SEC's Web site, www.sec.gov and on the company's Web site, at www.sempra.com.